

CONTRACT #4
RFS # 309.01-057

Tennessee Treasury
Department

VENDOR:
State Street Bank and Trust
Company

REQUEST: NON-COMPETITIVE AMENDMENT

RECEIVED

AUG 08 2005

FISCAL REVIEW

APPROVED

Commissioner of Finance & Administration

Date:

Each of the request items below indicates specific information that must be individually detailed or addressed as required.
A REQUEST CAN NOT BE CONSIDERED IF INFORMATION PROVIDED IS INCOMPLETE, NON-RESPONSIVE, OR DOES NOT
CLEARLY ADDRESS EACH OF THE REQUIREMENTS INDIVIDUALLY AS REQUIRED.

RFS #	309.01-057		
STATE AGENCY NAME :	Tennessee Treasury Department		
SERVICE CAPTION :	Investment Services for the Tennessee Baccalaureated Education System Trust and the Chairs of Excellence Endowment Fund.		
CONTRACT #	FA-03-15105	PROPOSED AMENDMENT #	01
CONTRACTOR :	State Street Bank and Trust Company		
CONTRACT START DATE :	November 24, 2002		
CURRENT, LATEST POSSIBLE END DATE : (including ALL options to extend)	November 23, 2007		
CURRENT MAXIMUM LIABILITY :	\$200,000		
LATEST POSSIBLE END DATE <u>WITH</u> PROPOSED AMENDMENT : (including ALL options to extend)	November 23, 2007		
TOTAL MAXIMUM COST <u>WITH</u> PROPOSED AMENDMENT : (including ALL options to extend)	\$280,000		
APPROVAL CRITERIA : (select one)	<input checked="" type="checkbox"/> use of Non-Competitive Negotiation is in the best interest of the state <input type="checkbox"/> only one uniquely qualified service provider able to provide the service		
ADDITIONAL REQUIRED REQUEST DETAILS BELOW (address each item immediately following the requirement text)			
(1) description of the proposed additional service and amendment effects :			
See Attached Memorandum Dated August 3, 2005			
(2) explanation of need for the proposed amendment :			

(3) name and address of the proposed contractor's principal owner(s) :
(not required if proposed contractor is a state education institution)

(4) documentation of OIR endorsement of the Non-Competitive procurement request :
(required only if the subject service involves information technology)

select one:

☐

Documentation Not Applicable to this Request

☐

Documentation Attached to this Request

(5) documentation of Department of Personnel endorsement of the Non-Competitive procurement request :
(required only if the subject service involves training for state employees)

select one:

☐

Documentation Not Applicable to this Request

☐

Documentation Attached to this Request

(6) description of procuring agency efforts to identify reasonable, competitive, procurement alternatives rather than to use non-competitive negotiation :

(7) justification of why the F&A Commissioner should approve a Non-Competitive Amendment :

AGENCY HEAD REQUEST SIGNATURE:

(must be signed by the ACTUAL procuring agency head as detailed on the Signature Certification on file with OCR — signature by an authorized signatory will be accepted only in documented exigent circumstances)

Dale Sims

SIGNATURE DATE:

Aug. 3, 2005

STATE OF TENNESSEE




DALESIMS
STATE TREASURER

TREASURY DEPARTMENT
STATE CAPITOL
NASHVILLE, TENNESSEE 37243-0225

MEMORANDUM

TO: The Honorable M. D. Goetz, Jr., Commissioner
Department of Finance and Administration

FROM: Dale Sims, Treasurer 
Department of the Treasury

DATE: August 3, 2005

RE: *Noncompetitive Amendment Request – Investment Services Contract for the
Tennessee Baccalaureate Education System Trust and the Chairs of Excellence
Endowment Fund*

BACKGROUND

The Tennessee Treasury Department is responsible investing assets of the Baccalaureate Education System Trust ("BEST") and of the Chairs of Excellence Endowment Fund ("COE"). The investment policies for BEST and COE provide for investment in three general asset classes: U.S. equities, U.S. bonds, and U.S. cash equivalents. BEST's assets total \$51.4 million with 24.4% in equities, 65.2% in bonds, and 10.4 % in short-term securities. COE's assets total \$222 million with 50% in equities, 48.5% in bonds, and 1.5% in short-term securities.

The above are relatively small asset classes/portfolios. As a consequence, investing the portfolios' assets in separate account structures is a difficult challenge in order to be diversified and to manage the funds to achieve the respective fund's stated benchmark return. Recognizing this difficulty in 1997, the Treasury Department addressed the issue by converting the equity portfolios from a separate account structure to a commingled structure. The commingled structure used was Street Street's S&P 500 index fund. The investment objectives of the fund are to replicate, as closely as possible, the return of the Standard & Poor's 500 Index. Over the last five years, the index fund returned 2 basis points more than the S&P 500. In addition, this fund has low fees and a low tracking error. The fee is only 4 basis points.

The Treasury Department originally procured the S & P Index Fund investment services from State Street Bank and Trust Company ("State Street") through a competitive bidding Questionnaire process. The Questionnaire was issued to approximately twelve companies and six companies submitted proposals in response to the Questionnaire. A six-member team from the Tennessee Consolidated Retirement System reviewed and

rated the proposals submitted by the responding companies. The companies were reviewed and rated in two primary categories: performance and fee. In general, all of the responding firms had excellent organizations with significant experience in asset management. However, the companies' fee proposals played a significant role in the selection process. State Street offered its product for a 4 basis point annual fee (\$400 for every \$1 million in assets). The remaining companies offered their products for considerably more.

I.

DESCRIPTION OF THE PROPOSED ADDITIONAL SERVICE AND AMENDMENT EFFECTS

Recognizing the past benefits derived from indexing the BEST and COE equity portfolios and the difficulty of diversifying a small fixed income portfolio among government, agency, mortgage and corporate securities, the Treasury Department and the BEST Board have determined it in the best interest of the State to convert the BEST U.S. bond portfolio from a separate account structure to a commingled structure using State Street's Lehman Brothers Aggregate Bond Index. This would necessitate an amendment to the current contract with State Street Bank and Trust Company. The investment objectives of State Street's Lehman Brothers Aggregate Bond fund are to replicate, as closely as possible, the return of the Lehman Brothers Aggregated Bond Index by investing in a well-diversified portfolio that is representative of the domestic investment grade bond market. The Strategy's investments include U.S. Treasury, agency, corporate and asset-backed securities. State Street's Lehman Brothers Aggregate Bond Index has a low fee structure of 4 basis points and a low tracking error where the five-year return was 7.30% versus the benchmark of 7.29%. Given the reduction of risk obtained by achieving greater diversification, the adverse risk objective of the BEST program would be better met by utilizing the index fund.

The Treasury Department also desires to amend the contract with State Street to allow for the BEST and COE equity portfolios to be invested pursuant to two additional investment strategies: (1) the Russell® 3000 Index Strategy and (2) the EAFE Index Strategy. The Russell® 3000 Index Strategy seeks to match the returns and characteristics of the Russell 3000 Index. This Index is comprised of the 3000 largest stocks in the U.S. market and accounts for approximately 97% of the U.S. stock market capitalization. The Russell® 3000 Index Strategy employs a replication approach to construct a fund whose returns closely track those of the Russell 3000 Index. Replication results in low turn-over, accurate tracking and low costs. The EAFE Index Strategy's investment objective is to replicate, as closely as possible, the performance of the Morgan Stanley Capital International EAFE Index. The proposed amendment would give the Treasury Department flexibility to use these additional investment strategies should it be determined that these strategies be employed. The amendment would further serve to lock in the low fees offered by State Street for providing these additional index funds.

II.

EXPLANATION OF NEED FOR THE PROPOSED AMENDMENT

As previously stated, the portfolios at issue are relatively small. As a consequence, investing the portfolios' assets in separate account structures is a difficult challenge in order to be diversified and to manage the funds to achieve the respective fund's stated benchmark return. By utilizing an index fund, greater diversification and reduction in investment risk would be achieved.

III.

NAME AND ADDRESS OF CONTRACTOR'S PRINCIPAL OWNER(S)

State Street Bank and Trust Company is a Massachusetts trust company, which is a wholly owned subsidiary of State Street Corporation. State Street Corporation is a publicly traded bank holding company whose shares are traded on the New York Stock Exchange.

IV.

**DOCUMENTATION OF OIR ENDORSEMENT OF THE SUBJECT
PROCUREMENT REQUEST (REQUIRED ONLY IF THE SERVICE INVOLVES
INFORMATION TECHNOLOGY)**

N/A

V.

**DOCUMENTATION OF DEPARTMENT OF PERSONNEL ENDORSEMENT OF
THE SUBJECT PROCUREMENT REQUEST (REQUIRED ONLY IF THE
SERVICE INVOLVES TRAINING FOR STATE EMPLOYEES)**

N/A

VI.

**DESCRIPTION OF PROCURING AGENCY EFFORTS TO IDENTIFY
REASONABLE, COMPETITIVE, PROCUREMENT ALTERNATIVES
(RATHER THAN TO USE NON-COMPETITIVE NEGOTIATION)**

Based on the process the Department previously went through to procure the current index fund for BEST and COE, the Department learned that two key factors exist for the selection of an index fund; namely, tracking error and fees. Tracking error is the ability to closely replicate the index so that actual returns are similar to the benchmark that is to be met. Both the tracking error and fees can be determined by reviewing the applicable index funds of the respective companies offering this type service. Department staff reviewed the index funds offered by State Street and three other major companies that provide the index funds at issue. The review covered a three-year period and showed that

State Street's tracking error was equivalent or superior to the other companies and that State Street's fees were considerably less than the other companies.

VII.

JUSTIFICATION OF WHY THE STATE SHOULD APPROVE A NON-COMPETITIVE AMENDMENT

This amendment is merely an extension of the services currently being provided by State Street, i.e., to provide index fund investment services to BEST and COE. The amendment would be in the best interest of the State by assisting the State in achieving greater diversification of investments and reduction in investment risk by converting BEST's bond portfolio from a separate account structure to a commingled structure, and by providing alternative/additional index fund investment strategies for the equity portfolios of BEST and COE. In addition, it is more efficient and less expensive to use the index funds offered by the same company should it become necessary or prudent to make transfers among investment strategies.

AMENDMENT NUMBER 1
TO CONTRACT FA-03-15105-00
BETWEEN THE STATE OF TENNESSEE,
DEPARTMENT OF TREASURY
AND
STATE STREET BANK AND TRUST COMPANY

WHEREAS, the State of Tennessee, Department of Treasury (the "State"), and State Street Bank and Trust Company (the "Contractor") entered into Contract No. FA-03-15105-00 on November 24, 2002 for the provision of trust services to the State in connection with the Tennessee Baccalaureate Education System Trust, created pursuant to Tennessee Code Annotated, Title 49, Chapter 7, Part 8, and in connection with the Chairs of Excellence Endowment Fund established by Tennessee Code Annotated, Title 49, Chapter 7, Part 5, and

WHEREAS, the said parties desire to amend said Contract in the manner described below,

NOW THEREFORE, the parties hereby amend said Contract as follows:

1. Exhibit A, attached to the Contract and incorporated therein by reference, is amended by redesignating the same as Exhibit E.
2. Exhibit B, attached to the Contract and incorporated therein by reference, is amended by redesignating the same as Exhibit F.
3. Exhibit C, attached to the Contract and incorporated therein by reference, is amended by redesignating the same as Exhibit G.
4. Exhibit D, attached to the Contract and incorporated therein by reference, is amended by redesignating the same as Exhibit H.
5. Exhibit F, attached to the Contract and incorporated therein by reference, is amended by redesignating the same as Exhibit I.
6. Exhibit G, attached to the Contract and incorporated therein by reference, is amended by redesignating the same as Exhibit J.

7. Section A.1 is amended by deleting the same in its entirety and by substituting instead the following:

"1. Appointment and Investment Strategies.

a. Appointment. The State appoints the Contractor as its trustee to hold, manage and invest assets of the Tennessee Baccalaureate Education System Trust, hereinafter referred to as "BEST", and of the Chairs of Excellence Endowment Fund, hereinafter referred to as "COE", pursuant to the following investment strategies (as are more fully described in Section A.1.b below): (i) S&P 500 Non-Lending Common Trust Strategy; (2) Russell® 3000 Index Strategy; (3) Passive Aggregate Strategy; and (4) EAFE Index Strategy. The State shall determine, at its sole discretion, the amount of BEST and COE assets to be allocated to each such investment strategy. The Contractor accepts this appointment and agrees to hold, manage and invest the assets of COE and BEST under the terms and conditions of this Contract and the applicable investment policies listed in Section A.1.b below.

b. Investment Strategies. The investment objectives of the S&P 500 Non-Lending Common Trust Strategy shall be to replicate, as closely as possible, the return of the Standard & Poor's 500 Index pursuant to the investment policies of the Index listed in the Fund Declaration for the S&P 500 Non-Lending Common Trust Fund, which Fund Declaration is attached hereto as Exhibit A. The investment objectives of the Russell® 3000 Index Strategy shall be to replicate, as closely as possible, the returns of the Russell 3000 Index pursuant to the investment policies of the Index listed in the Fund Declaration for the Russell 3000 Index Non-Lending Common Trust Fund, which Fund Declaration is attached hereto as Exhibit B. The Passive Aggregate Strategy's investment objective shall be to match the total rate of return of the Lehman Brothers Aggregate Bond Index pursuant to the investment policies of the Index listed in the Fund Declaration for the Passive Bond Market Index Non-Lending Common

Trust Fund, which Fund Declaration is attached hereto as Exhibit C. The EAFE Index Strategy's investment objective shall be to replicate, as closely as possible, the performance of the Morgan Stanley Capital International EAFE Index pursuant to the investment policies of the Index listed in the Fund Declaration for the MSCI EAFE Index Non-Lending Common Trust Fund, which Fund Declaration is attached hereto as Exhibit D. The investments objections set forth in this subsection A.1.b shall hereinafter be collectively referred to as the "Objectives". "

8. Section A.2 is amended by deleting the same in its entirety and by substituting instead the following:

"2. Accounts and Contents of Accounts. For each investment strategy used by the State, the Contractor shall establish and maintain two separate accounts. One such account shall be in the name of BEST and the second account shall be in the name of COE (hereinafter collectively referred to as the "Accounts"). Each Account shall include those specific assets allocated to the Contractor by the State from time to time, as well as all assets acquired as earnings thereon, proceeds therefrom or in substitution therefor. The State may, at its sole discretion and upon notification to the Contractor, add, transfer or remove assets from any or all of the Accounts. Following a removal of assets, the Contractor shall have no authority to act with respect to any assets so removed. The Contractor shall have no investment or other responsibility or authority with respect to those assets owned by the State that are not part of the Accounts."

9. Section A.3 is amended by deleting the same in its entirety and by substituting instead the following:

"3. Incorporation of Documents. The following exhibits are hereby incorporated into this Contract as though fully set forth herein:

a. Exhibit E - The Tennessee Baccalaureate Education System Trust Organizational Structure and General Overview - Investment Policy, Objectives and Criteria;

b. Exhibit F - Investment Division Code of Ethics and Standards of Professional Conduct;

c. Exhibit G - Tennessee Treasury Department Standards of Professional Conduct; and

d. Exhibit H – Restated Policies of the Trustees of the Chairs of Excellence Trust.

The State may, at its sole discretion, revise said Exhibits from time to time by providing the Contractor a written copy of such revisions.”

10. Section A.4 is amended by deleting the same in its entirety and by substituting instead the following:

“4. General Responsibility of Contractor. The Contractor acknowledges receipt of Exhibit E “The Tennessee Baccalaureate Education System Trust Organizational Structure and General Overview - Investment Policy, Objectives and Criteria”, Exhibit F “Investment Division Code of Ethics and Standards of Professional Conduct”, Exhibit G “Tennessee Treasury Department Standards of Professional Conduct” and Exhibit H “Restated Policies of the Trustees of the Chairs of Excellence Trust” from the State. The Contractor agrees to manage the BEST Accounts in conformity and in compliance with the criteria, guidelines and procedures set forth in Exhibits E – G as in effect from time to time and in compliance with Tennessee Code Annotated, Title 49, Chapter 7, Part 8. The Contractor further agrees to manage the COE Accounts in conformity and in compliance with the criteria, guidelines and procedures set forth in Exhibits F – H as in effect from time to time and in compliance with Tennessee Code Annotated, Title 49, Chapter 7, Part 5. To the extent of a conflict between said Exhibits and the Objectives set forth in Section A.1.b, the Objectives shall control. The

Contractor agrees to perform its duties under this Contract in a prompt, professional and prudent manner and in accordance with the standard of care described in Section A.5 of this Contract. Unless otherwise expressly provided in this Contract, the authority granted the Contractor under this Contract may be exercised by it without further notice, consent or approval by the State. Except as is expressly provided in this Contract, the Contractor may not delegate to any party its authority to manage the Accounts.”

11. Section A.6.a is amended by deleting the same in its entirety and by substituting instead the following:

“**a. Type Insurance.** The Contractor shall maintain in full force and effect the fidelity bonds, errors and omissions coverage and any other fiduciary coverage described in Exhibit I attached hereto. Said levels of coverage shall not be less than the amount stated in Exhibit I. All costs of premiums and payment of deductibles for such insurance will be paid by the Contractor and not the State. The Contractor shall notify the State of any claim received from its issuer pertaining to the State. The maintenance of such insurance shall in no way be construed to otherwise limit the liability of the Contractor hereunder.”

12. Section C.1 is amended by deleting the same in its entirety and by substituting instead the following:

“**1. Maximum Liability.** In no event shall the maximum liability of the State under this Contract exceed two hundred eighty thousand dollars and no cents (\$280,000.00). The Payment Rates in Section C.3 shall constitute the entire compensation due the Contractor for the Service and all of the Contractor's obligations hereunder regardless of the difficulty, materials or equipment required. The Payment Rates include, but are not limited to, all applicable taxes, fees, overheads, profit, and all other direct and indirect costs incurred or to be incurred by the Contractor. The maximum liability represents available funds for payment to the Contractor and does not guarantee payment of any such funds to

the Contractor under this Contract. Instead, the Contractor shall be paid in accordance with the Payment Rates detailed in Section C.3.”

13. Section C.3 is amended by deleting the same in its entirety and by substituting instead the following:

“3. **Payment Methodology.** The Contractor shall be compensated based on the Payment Rates herein in a total amount not to exceed the Contract Maximum Liability established in Section C.1. The Contractor shall be compensated based upon the following Payment Rates:

<i>Services</i>		<i>Payment Rate</i>
S&P 500 Non-Lending Common Trust Strategy	Per Account	2½ basis points on the first \$50,000,000; then 2 basis points for any amounts over \$50,000,000
Russell® 3000 Index Strategy	Per Account	2 basis points on the first \$100,000,000; then 1 basis point for any amounts over \$100,000,000
Passive Aggregate Strategy	Per Account	4 basis points on the first \$100,000,000; then 3 basis points for any amounts over \$100,000,000
EAFE Index Strategy	Per Account	10 basis points on the first \$50,000,000; then 8 basis points on the next \$50,000,000; then 5 basis points for any amounts thereafter

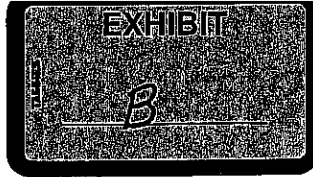
The Contractor shall be compensated on a quarterly basis, in arrears, based on the market value of the respective Accounts. The fee shall be calculated on a monthly basis equal to one-twelfth (1/12) of the respective annual basis point fee (as provided above) multiplied by the market value of the respective Account at month end. The market value of the securities held in the Accounts shall be determined by the Contractor. Except for the fees charged to the respective Funds as permitted by Exhibits A – D, said fees shall be the sole and exclusive compensation payable to the Contractor for the services hereunder.”

14. Section E.4 is amended by deleting the same in its entirety and by substituting instead the following:

“4. Authorized Individuals. Each party hereto has provided the other party hereto with a list identifying the individuals from whom the other party is authorized to accept any notices, requests, demands, or other advice which may be given hereunder by the party providing such list. Said lists, which are attached hereto as Exhibit J, shall be valid until revoked or amended by further written notice. The parties hereto shall only be entitled to rely on notices, requests, demands, or other advice given by such individuals.”

15. Section E.6 is amended by deleting the same in its entirety and by substituting instead the following:

“6. Representations and Covenants of the Contractor. The Contractor represents and warrants that (1) it has no interest and shall not acquire any interest, direct or indirect, which would conflict in any manner or degree with the performance of services under this Contract; (2) with respect to the Accounts, except as permitted by the Declarations contained in Exhibits A – D, it shall not engage in transactions with either itself, including any affiliates or parent companies, except upon the prior written approval of the State; (3) it is duly authorized to execute and deliver this Contract, and to perform its obligations hereunder and has taken all necessary action to authorize such execution, delivery and performance; (4) the person signing this Contract on its behalf is duly authorized to do so on its behalf; (5) it has obtained all authorizations of any governmental body required in connection with this Contract and the transactions hereunder and such authorizations are in full force and effect; and (6) the execution, delivery and performance of this Contract will not violate any law, ordinance, charter, by-law or rule applicable to it or any agreement by which it is bound or by which any of its assets are affected. The Contractor shall promptly



**STATE STREET BANK AND TRUST COMPANY
WORLD INDEX COMMON TRUST FUNDS**

AMENDMENT AND FUND DECLARATION

RUSSELL 3000 INDEX COMMON TRUST FUND

Pursuant to Articles VII and XIII of the Fifth Amendment and Restatement of the Declaration of Trust for the State Street Bank and Trust Company World Index Common Trust Funds, dated as of May 23, 1997 (the "Declaration of Trust"), State Street Bank and Trust Company (the "Trustee"), by its execution of this Amendment and Fund Declaration, hereby amends and restates the Russell 3000 Index Common Trust Fund (the "Fund"). The Trustee agrees that it will hold, administer and deal with all money and property received by it as Trustee of the Fund in accordance with the terms of the Declaration of Trust, subject to the additional terms and conditions set forth in this Amendment and Fund Declaration. The Trustee may in its sole discretion amend this Amendment and Fund Declaration upon thirty (30) days' written notice to each participating trust.

1. Name of the Fund:

Russell 3000 Index Common Trust Fund

2. Effective date of the Amendment and Fund Declaration:

May 15, 2000

3. Investment Objective of the Fund:

The Investment Objective of the Fund shall be to match, as closely as possible, the return of the Russell 3000 Index (the "Index").

4. Permitted Classes of Assets and Investment Strategy of the Fund:

The Fund seeks to achieve its objective by investing primarily in common stocks which are contained in the Index (the "Investments") and may also hold U.S. Treasury Bills, short-term fixed income securities, equity index futures, Standard & Poor's Depository Receipts ("SPDRs") traded on the American Stock Exchange and other similar derivative instruments as deemed appropriate by the Trustee. In addition, the Fund may invest in units of the Russell Special Small Company Index Common Trust Fund and the S&P 500 Index Common Trust Fund (the "Common Trust Funds"), bank common trust funds maintained by the Trustee.

Investments shall be selected on the basis of tracking the Index. The investment universe shall consist substantially of the equity securities contained within the Index, and include collective investment funds with similar investment objectives to track the Index or its sub-components. The Fund will be rebalanced periodically to reflect any changes in the Index and all dividends and realized capital gains shall be reinvested.

The Fund may invest in money market funds including, but not limited to, money market mutual funds for which State Street Bank and Trust Company acts as investment advisor ("Affiliated Mutual Funds").

5. **Operation of the Fund:**

The Trustee intends to operate the Fund as a "qualifying entity" pursuant to Regulation 4.5 (17 CFR §4.5) of the Commodity Futures Trading Commission ("CFTC"). Therefore, the Fund will limit its positions in commodity futures or options contracts which do not come within the meaning and intent of Regulation 1.3(z)(1) (17 CFR §1.3 (z)(1)) of the CFTC to positions for which the aggregate initial margin and premiums will not exceed five percent (5%) of the net asset value of the Fund.

Each business day shall be a Valuation Date (as defined in the Declaration of Trust).

6. **Fees and Expenses:**

With respect to the Fund assets invested in the Affiliated Mutual Funds, the Fund will indirectly incur management fees and other charges paid to the Trustee, which currently do not exceed forty-one (41) basis points. The Trustee will waive the allocable portion of each participant's management fee for the Fund that is attributable to such investment of cash in any Affiliated Mutual Fund.

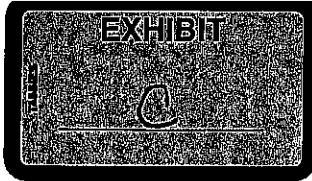
The Fund will be charged a custody fee as set forth on the attached schedule. The Fund will also be charged an annual audit fee, and such other fees as are permitted by the Declaration of Trust.

STATE STREET BANK AND TRUST COMPANY

By: 

Name: Marc V. Simons

Title: Executive Vice President



**STATE STREET BANK AND TRUST COMPANY
WORLD INDEX COMMON TRUST FUNDS**

AMENDMENT AND FUND DECLARATION

PASSIVE BOND MARKET INDEX COMMON TRUST FUND

Pursuant to Articles VII and XIII of the Fifth Amendment and Restatement of State Street Bank and Trust Company for the World Index Common Trust Funds Declaration of Trust, dated May 23, 1997, (the "Declaration of Trust"), State Street Bank and Trust Company (the "Trustee"), by its execution of this Amendment and Fund Declaration, hereby amends and restates the Passive Bond Market Index Common Trust Fund (the "Fund"). The Trustee agrees that it will hold, administer and deal with all money and property received by it as Trustee of the Fund in accordance with the terms of the Declaration of Trust, subject to the additional terms and conditions set forth in this Amendment and Fund Declaration. The Trustee may in its sole discretion amend this Amendment and Fund Declaration upon thirty (30) days' written notice to each participating trust.

1. Name of the Fund:

Passive Bond Market Index Common Trust Fund

2. Effective date of the Amendment and Fund Declaration:

June 23, 2003

3. Investment Objective of the Fund:

The Investment Objective of the Fund shall be to match the return of the Lehman Brother Aggregate Bond Index (the "Index").

4. Permitted Classes of Assets and Investment Strategy of the Fund:

The Fund seeks to achieve its objective by investing primarily in units of the following bank common trust funds ("Common Trust Funds") maintained by the Trustee, the Fund Declarations for which are attached hereto: Long U.S. Government Index Common Trust Fund, Intermediate U.S. Government Index Common Trust Fund, Long Credit Index Common Trust Fund, Intermediate Credit Index Common Trust Fund, Mortgage Backed Index Common Trust Fund, Asset Backed Index Common Trust Fund and the Commercial Mortgage Backed Index Common Trust Fund. The Fund may also invest in other Common Trust Funds maintained by the Trustee which have characteristics consistent with the overall investment objective.

The Fund may invest directly in securities which are contained in the Index, including medium term notes (MTNs) of issuers contained in the Index. Additional securities, investments, or Common Trust Funds shall be added to the Fund in the event that new sectors are added to the Index, and may be implemented without advance notice to participants. The Fund may also invest in derivative securities including, but not limited to, options, futures and swaps.

In addition, the Fund may invest excess cash in short term securities and instruments including, but not limited to, repurchase agreements, commercial paper, short term cash funds maintained by the Trustee, as well as shares of the SSgA Money Market Fund or other short term registered mutual funds for which an affiliate of the Trustee acts as investment advisor ("Affiliated Mutual Funds").

5. Operation of the Fund:

The Trustee intends to operate the Fund as a "qualifying entity" pursuant to Regulation 4.5 (17CFR§4.5) of the Commodity Futures Trading Commission ("CFTC"). Therefore, the Fund will limit its positions in the commodity futures or option contracts which do not come within the meaning and intent of Regulation 1.3(z)(1) (17CFR§1.3(z)(1)) of the CFTC to positions for which the aggregate initial margin and premiums will not exceed five percent (5%) of the net asset value of the Fund.

Each business day shall be a Valuation Date (as defined in the Declaration of Trust).

6. Fees and Expenses:

With respect to the Fund assets invested in the Affiliated Mutual Funds, the Fund will indirectly incur management fees and other charges which currently do not exceed fifty-three (53) basis points. The Trustee will waive the allocable portion of each participant's management fee for the Fund that is attributable to such investment of cash in any Affiliated Mutual Fund.

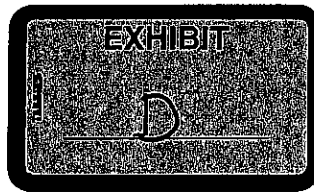
The Fund will be charged an administration fee as set forth on the attached schedule. The Fund will also be charged an annual audit fee, and such other fees as are permitted by the Declaration of Trust.

STATE STREET BANK AND TRUST COMPANY

By:

Name: Timothy Connolly

Title: Sr. Principal



**STATE STREET BANK AND TRUST COMPANY
WORLD INDEX COMMON TRUST FUNDS**

AMENDMENT FUND DECLARATION

MSCI EAFE INDEX COMMON TRUST FUND

Pursuant to Articles VII and XIII of the Fifth Amendment and Restatement of the Declaration of Trust for the State Street Bank and Trust Company World Index Common Trust Funds, dated May 23, 1997 (the "Declaration of Trust"), State Street Bank and Trust Company (the "Trustee"), by its execution of this Amendment and Fund Declaration, hereby amends and restates the MSCI EAFE Index Common Trust Fund (the "Fund"). The Trustee agrees that it will hold, administer and deal with all money and property received by it as Trustee of the Fund in accordance with the terms of the Declaration of Trust, subject to the additional terms and conditions set forth in this Amendment and Fund Declaration. The Trustee may in its sole discretion amend this Amendment and Fund Declaration upon thirty (30) days' written notice to each participating trust.

1. Name of the Fund:

MSCI EAFE Index Common Trust Fund

2. Effective Date of the Amendment and Fund Declaration:

January 1, 2000

3. Investment Objectives of the Fund:

The Investment Objective of the Fund shall be to match, as closely as possible, the performance of the Morgan Stanley Capital International EAFE Index (the "Index").

4. Permitted Classes of Assets and Investment Strategy of the Fund:

The Fund seeks to achieve its objective by investing directly in equity securities which comprise the Index, or indirectly by acquiring units of bank common trust funds ("Common Trust Funds") maintained by the Trustee. The Fund will maintain the appropriate country weightings as indicated by the Index. The markets currently included in the Index are as follows:

Australia	Japan
Austria	Netherlands
Belgium	New Zealand
Denmark	Norway
Finland	Portugal
France	Singapore
Germany	Spain
Hong Kong	Sweden
Ireland	Switzerland
Italy	United Kingdom

Additional country index Common Trust Funds or securities shall be added to the Fund in the event that additional countries are added to the Index, and may be implemented without advance notice to participants.

The Fund may also invest in equity derivatives, including, but not limited to, financial futures, swap contracts, and foreign currency forwards, options and futures instruments or other investments as the Trustee in its discretion deems appropriate under the circumstances.

The Fund may invest in money market funds including, but not limited to, money market mutual funds for which State Street Bank and Trust Company acts as an investment advisor ("Affiliated Mutual Funds").

5. Operation of the Fund:

The Trustee intends to operate the Fund as a "qualifying entity" pursuant to Regulation 4.5 (17 CFR §4.5) of the Commodity Futures Trading Commission ("CFTC"). Therefore, the Fund will limit its positions in commodity futures or options contracts which do not come within the meaning and intent of Regulation 1.3(z)(1) (17 CFR §1.3 (z)(1)) of the CFTC to positions for which the aggregate initial margin and premiums will not exceed five percent (5%) of the net asset value of the Fund.

The last business day of each month shall be a valuation date (as defined in the Declaration of Trust). In addition, one other business day during the month shall be a valuation date. The Trustee shall provide each participating trust with advance written notice of the date of each such additional valuation date.

6. Fees and Expenses:

With respect to the Fund assets invested in the Affiliated Mutual Funds, the Fund will indirectly incur management fees and other charges paid to the Trustee, which currently do not exceed forty-one (41) basis points. The Trustee will waive

the allocable portion of each participant's management fee for the Fund that is attributable to such investment of cash in any Affiliated Mutual Fund.

The Common Trust Funds will be charged custody fees as set forth on the attached schedule. The Fund will also be charged an annual audit fee, and such other fees as are permitted by the Declaration of Trust.

STATE STREET BANK AND TRUST COMPANY

By: Timothy B. Harbert
Name: Timothy B. Harbert
Title: Executive Vice President

CONTRACT
BETWEEN THE STATE OF TENNESSEE,
DEPARTMENT OF TREASURY
AND
STATE STREET BANK AND TRUST COMPANY

THIS CONTRACT, by and between the State of Tennessee, Department of Treasury, hereinafter referred to as the "State" and State Street Bank and Trust Company, hereinafter referred to as the "Contractor," is for the provision of trust services to the State in connection with the Tennessee Baccalaureate Education System Trust, created pursuant to Tennessee Code Annotated, Title 49, Chapter 7, Part 8, and in connection with the Chairs of Excellence Endowment Fund established by Tennessee Code Annotated, Title 49, Chapter 7, Part 5, as further defined in the "SCOPE OF SERVICES." The Contractor is a Massachusetts trust company having its principal place of business at Two International Place, 34th Floor in Boston Massachusetts. The Contractor's place of incorporation or organization is the State of Massachusetts.

WITNESSETH: In consideration of the mutual promises herein contained, the parties have agreed and do hereby enter into this Contract according to the provisions set out herein:

A. SCOPE OF SERVICES:

1. Appointment. The State appoints the Contractor as its trustee (i) to hold, manage and invest domestic equity assets of the Tennessee Baccalaureate Education System Trust, hereinafter referred to as the "BEST Account" and (ii) to hold, manage and invest domestic equity assets of the Chairs of Excellence Endowment Fund, hereinafter referred to as the "COE Account", pursuant to an S&P 500 Non-Lending Common Trust Strategy. The investment objectives of the Accounts shall be to replicate, as closely as possible, the return of the Standard & Poor's 500 Index (the "Objectives"). The Contractor accepts the appointment and agrees to hold, manage and invest the Accounts

under the terms and conditions of this Contract and the investment policies listed in the Fund Declaration for the S&P 500 Non-Lending Common Trust Fund, which Fund Declaration is attached hereto as Exhibit A.

2. Content of Accounts. The Accounts shall include those specific assets allocated to the Contractor by the State from time to time, as well as all assets acquired as earnings thereon, proceeds therefrom or in substitution therefor. The State may, at its sole discretion and upon notification to the Contractor, add, transfer or remove assets from either or both of the Accounts. Following such transfer or removal, the Contractor shall have no authority to act with respect to assets transferred or removed. The Contractor shall have no investment or other responsibility or authority with respect to those assets owned by the State which are not part of the Accounts.

3. Incorporation of Documents. The following exhibits are hereby incorporated into this Contract as though fully set forth herein:

- a. Exhibit B - The Tennessee Baccalaureate Education System Trust Organizational Structure and General Overview - Investment Policy, Objectives and Criteria;
 - b. Exhibit C - Investment Division Code of Ethics and Standards of Professional Conduct;
 - c. Exhibit D - Tennessee Treasury Department Standards of Professional Conduct; and
 - d. Exhibit E - Restated Policies of the Trustees of the Chairs of Excellence Trust.
- The State may, at its sole discretion, revise said Exhibits from time to time by providing the Contractor a written copy of such revisions.

4. General Responsibility of Contractor. The Contractor acknowledges receipt of Exhibit B "The Tennessee Baccalaureate Education System Trust Organizational Structure and General Overview - Investment Policy, Objectives and Criteria", Exhibit C "Investment Division Code of Ethics and Standards of Professional Conduct", Exhibit D "Tennessee Treasury Department Standards of Professional Conduct" and Exhibit E

"Restated Policies of the Trustees of the Chairs of Excellence Trust" from the State. The Contractor agrees to manage the BEST Account in conformity and in compliance with the criteria, guidelines and procedures set forth in Exhibits B – D as in effect from time to time and in compliance with Tennessee Code Annotated, Title 49, Chapter 7, Part 8. The Contractor further agrees to manage the COE Account in conformity and in compliance with the criteria, guidelines and procedures set forth in Exhibits C – E as in effect from time to time and in compliance with Tennessee Code Annotated, Title 49, Chapter 7, Part 5. To the extent of a conflict between said Exhibits and the Objectives, the Objectives shall control. The Contractor agrees to perform its duties under this Contract in a prompt, professional and prudent manner and in accordance with the standard of care described in Section A.5 of this Contract. Unless otherwise expressly provided in this Contract, the authority granted the Contractor under this Contract may be exercised by it without further notice, consent or approval by the State. Except as is expressly provided in this Contract, the Contractor may not delegate to any party its authority to manage the Accounts.

5. Warranties and Acknowledgments.

a. Registration of Contractor. The Contractor warrants that it is exempt from registration under the Investment Advisers Act of 1940, and that it will notify the State in writing within ten (10) calendar days of the occurrence of any event that causes the Contractor to be subject to such registration. In such event, the Contractor shall promptly provide the State with written documentation showing its compliance with such registration requirements.

b. Fiduciary Status. The Contractor holds itself out as an expert in the handling of investments of large trust funds. The Contractor further acknowledges that it has a fiduciary relationship to the State and has fiduciary duties with regard to the services it will provide under this Contract, including the services it will provide with respect to the Accounts. The Contractor accepts its appointment as such fiduciary, and specifically agrees that in performing its duties hereunder that it shall act not in regard to speculation

but with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims to attain the Objectives. The Contractor agrees to discharge its duties with respect to the BEST Account solely in the interest of the beneficiaries of the Tennessee Baccalaureate Education System Trust to the extent compatible with the Objectives. The Contractor further agrees to discharge its duties with respect to the COE Account solely in the interest of the beneficiaries of the Chairs of Excellence Trust to the extent compatible with the Objectives.

c. **Compliance with Laws.** The Contractor hereby represents and warrants to the State that it shall comply with all State, and federal laws and regulations applicable to its activities and obligations under this Contract and that it shall obtain, at its expense, all licenses, permits, insurance, and governmental approvals, if any, necessary to the performance of its obligations under this Contract.

6. **Insurance.**

a. **Type Insurance.** The Contractor shall maintain in full force and effect the fidelity bonds, errors and omissions coverage and any other fiduciary coverage described in Exhibit F attached hereto. Said levels of coverage shall not be less than the amount stated in Exhibit F. All costs of premiums and payment of deductibles for such insurance will be paid by the Contractor and not the State. The Contractor shall notify the State of any claim received from its issuer pertaining to the State. The maintenance of such insurance shall in no way be construed to otherwise limit the liability of the Contractor hereunder.

b. **Notification of Change.** The Contractor shall notify the State of any decrease in coverage of or cancellation of the policy. If at any time during the period of this Contract insurance as required is not in effect, the State shall have the following options: (1) following notice to the Contractor, obtain insurance providing coverage equal to that required above, the cost of such insurance shall be payable by the Contractor immediately; or (2) terminate this Contract in accordance with Section D.4 below.

7. Reports and Meetings.

a. Reports.

(1) The State shall furnish monthly asset statements to the Contractor for each Account. Each statement shall contain the current market value, the number of units being held and the description of each asset being held in the respective Account. The Contractor shall reconcile the asset statements and provide the State with a list of discrepancies within ten (10) business days from the date of receipt of such listings.

(2) The Contractor shall promptly notify the State in writing (i) if any of the representations in Section A.5 and Section E.6 hereof shall cease to be true at any time during the term of this Contract, (ii) of any change in the Contractor's directors, senior officers, or other employees who exercise investment discretion with respect to the Accounts, (iii) of any other material change in the Contractor's business or corporate organization which would affect the Contractor's ability to perform hereunder, or ability or potential ability to perform hereunder, (iv) of any lawsuit threatened or filed against the Contractor in which investments in the Accounts are at issue, in which charges of fiduciary misconduct are alleged which may, if proven, materially impair the ability of the Contractor to perform under this Contract, or (v) of any material adverse change or threatened change in the Contractor's financial condition.

(3) Upon the State's request, the Contractor shall provide reports containing such information as the State may reasonably request.

b. Meetings. Upon the State's request, the Contractor agrees to have a representative familiar with the Accounts attend periodic meetings of the Board of Trustees of the Tennessee Baccalaureate Education System Trust, the Tennessee State School Bond Authority and such other appropriate boards, committees, and commissions at the State's facilities, or at some other agreed upon location at such times as directed by the State. The State may call upon the Contractor to report to any such board, committee or commission on matters which represent significant changes in economic forecasts,

investment outlook, industry emphasis and any other matters of a general or specific nature as the State may reasonably request.

B. CONTRACT TERM:

This Contract shall be effective for the period commencing on November 24, 2002 and ending on November 23, 2007. The State shall have no obligation for services rendered by the Contractor which are not performed within the specified period.

C. PAYMENT TERMS AND CONDITIONS:

1. **Maximum Liability.** In no event shall the maximum liability of the State under this Contract exceed two hundred thousand dollars and no cents (\$200,000.00). The Payment Rates in Section C.3 shall constitute the entire compensation due the Contractor for the Service and all of the Contractor's obligations hereunder regardless of the difficulty, materials or equipment required. The Payment Rates include, but are not limited to, all applicable taxes, fees, overheads, profit, and all other direct and indirect costs incurred or to be incurred by the Contractor. The maximum liability represents available funds for payment to the Contractor and does not guarantee payment of any such funds to the Contractor under this Contract. Instead, the Contractor shall be paid in accordance with the Payment Rates detailed in Section C.3.

2. **Compensation Firm.** The Payment Rates in Section C.3 and the maximum liability of the State under this Contract are firm for the duration of the Contract and are not subject to increase for any reason unless amended.

3. **Payment Methodology.** The Contractor shall be compensated based on the Payment Rates herein in a total amount not to exceed the Contract Maximum Liability established in Section C.1. The Contractor shall be compensated based upon the following Payment Rates:

The Contractor shall be compensated on a quarterly basis, in arrears, based on the market value of the Accounts. The fee shall be calculated on a monthly basis equal to one-twelfth (1/12) of the respective annual basis point fee

multiplied by the market value of the Accounts at month end. The annual basis point fee shall be:

- (i) Two and one-half (2 ½) for the first fifty million dollars (\$50,000,000.00); then
- (ii) Two (2) for any amounts over fifty million dollars (\$50,000,000.00).

The market value of the securities held in the Accounts shall be determined by the Contractor. Except for the fees charged to the S & P 500 Non-Lending Common Trust Fund as permitted by Exhibit A, said fee shall be the sole and exclusive compensation payable to the Contractor for the services hereunder.

4. **Invoice Submittal.** The Contractor shall submit quarterly invoices for completed work, in form and substance acceptable to the State with all of the necessary supporting documentation, prior to any payment. Such invoices shall, at a minimum, include the market value of the Accounts at month end for each month in the respective quarter, the applicable basis point fee, and the total amount due the Contractor for the period invoiced.

5. **Travel Compensation.** The Contractor shall not be compensated or reimbursed for travel, meals, or lodging.

6. **Payment of Invoice.** The payment of the invoice by the State shall not prejudice the State's right to object to or question any invoice or matter in relation thereto. Such payment by the State shall neither be construed as acceptance of any part of the work or service provided nor as an approval of any of the amounts invoiced therein.

7. **Invoice Reductions.** The Contractor's invoice shall be subject to reduction for amounts included in any invoice or payment theretofore made which are determined by the State, on the basis of audits conducted in accordance with the terms of this contract, not to constitute proper remuneration for compensable services.

8. **Deductions.** The State reserves the right to deduct from amounts which are or shall become due and payable to the Contractor under this or any contract between the Contractor and the State of Tennessee any amounts which are or shall become due and payable to the State of Tennessee by the Contractor.

9. **Automatic Deposits.** The Contractor shall complete and sign an "Authorization Agreement for Automatic Deposit (ACH Credits) Form." This form shall be provided to the Contractor by the State. Once this form has been completed and submitted to the State by the Contractor all payments to the Contractor, under this or any other contract the Contractor has with the State of Tennessee shall be made by Automated Clearing House (ACH). The Contractor shall not invoice the State for services until the Contractor has completed this form and submitted it to the State.

D. STANDARD TERMS AND CONDITIONS:

1. **Required Approvals.** The State is not bound by this Contract until it is approved by the appropriate State officials in accordance with applicable Tennessee State laws and regulations.

2. **Modification and Amendment.** This Contract may be modified only by a written amendment executed by all parties hereto and approved by the appropriate Tennessee State officials in accordance with applicable Tennessee State laws and regulations.

3. **Termination for Convenience.** The State may terminate this Contract without cause for any reason. Said termination shall not be deemed a breach of contract by the State. The State shall give the Contractor at least ninety (90) days written notice before the effective termination date. The Contractor shall be entitled to receive compensation for satisfactory, authorized service completed as of the termination date, but in no event shall the State be liable to the Contractor for compensation for any service which has not been rendered. Upon such termination, the Contractor shall have no right to any actual, general, special, incidental, consequential, or any other damages whatsoever of any description or amount.

4. **Termination for Cause.** If the Contractor fails to properly perform its obligations under this Contract in a timely or proper manner, or if the Contractor violates any terms of this Contract, the State shall have the right to immediately terminate the Contract and withhold payments in excess of fair compensation for completed services.

Notwithstanding the above, the Contractor shall not be relieved of liability to the State for damages sustained by virtue of any breach of this Contract by the Contractor.

5. **Subcontracting.** The Contractor shall not assign this Contract or enter into a subcontract for any of the services performed under this Contract without obtaining the prior written approval of the State. If such subcontracts are approved by the State, they shall contain, at a minimum, sections of this Contract pertaining to "Conflicts of Interest" and "Nondiscrimination" (sections D.6. and D.7.). Notwithstanding any use of approved subcontractors, the Contractor shall be the prime contractor and shall be responsible for all work performed.

6. **Conflicts of Interest.** The Contractor warrants that no part of the total Contract Amount shall be paid directly or indirectly to an employee or official of the State of Tennessee as wages, compensation, or gifts in exchange for acting as an officer, agent, employee, subcontractor, or consultant to the Contractor in connection with any work contemplated or performed relative to this Contract.

7. **Nondiscrimination.** The Contractor hereby agrees, warrants, and assures that no person shall be excluded from participation in, be denied benefits of, or be otherwise subjected to discrimination in the performance of this Contract or in the employment practices of the Contractor on the grounds of disability, age, race, color, religion, sex, national origin, or any other classification protected by Federal, Tennessee State constitutional, or statutory law. The Contractor shall, upon request, show proof of such nondiscrimination and shall post in conspicuous places, available to all employees and applicants, notices of nondiscrimination.

8. **Records.** The Contractor shall maintain documentation for all charges against the State under this Contract. The books, records, and documents of the Contractor, insofar as they relate to work performed or money received under this contract, shall be maintained for a period of three (3) full years from the date of the final payment and shall be subject to audit at any reasonable time and upon reasonable notice by the State, the

Comptroller of the Treasury, or their duly appointed representatives. The financial statements shall be prepared in accordance with generally accepted accounting principles.

9. **Monitoring.** The Contractor's activities conducted and records maintained pursuant to this Contract shall be subject to monitoring and evaluation by the State, the Comptroller of the Treasury, or their duly appointed representatives.

10. **Progress Reports.** The Contractor shall submit brief, periodic, progress reports to the State as requested.

11. **Strict Performance.** Failure by any party to this Contract to insist in any one or more cases upon the strict performance of any of the terms, covenants, conditions, or provisions of this Contract shall not be construed as a waiver or relinquishment of any such term, covenant, condition, or provision. No term or condition of this Contract shall be held to be waived, modified, or deleted except by a written amendment signed by the parties hereto.

12. **Independent Contractor.** The parties hereto, in the performance of this Contract, shall not act as employees, partners, joint venturers, or associates of one another. It is expressly acknowledged by the parties hereto that such parties are independent contracting entities and that nothing in this Contract shall be construed to create an employer/employee relationship or to allow either to exercise control or direction over the manner or method by which the other transacts its business affairs or provides its usual services. The employees or agents of one party shall not be deemed or construed to be the employees or agents of the other party for any purpose whatsoever. The Contractor, being an independent contractor and not an employee of the State, agrees to carry adequate public liability and other appropriate forms of insurance, including adequate public liability and other appropriate forms of insurance on the Contractor's employees, and to pay all applicable taxes incident to this Contract.

13. **State Liability.** The State shall have no liability except as specifically provided in this Contract.

14. **Force Majeure.** The obligations of the parties to this contract are subject to prevention by causes beyond the parties' control that could not be avoided by the exercise of due care including, but not limited to, acts of God, riots, wars, strikes, epidemics or any other similar cause.

15. **State and Federal Compliance.** The Contractor shall comply with all applicable State and Federal laws and regulations in the performance of this Contract.

16. **Governing Law.** This Contract shall be governed by and construed in accordance with the laws of the State of Tennessee. The Contractor agrees that it will be subject to the exclusive jurisdiction of the courts of the State of Tennessee in actions that may arise under this Contract. The Contractor acknowledges and agrees that any rights or claims against the State of Tennessee or its employees hereunder, and any remedies arising therefrom, shall be subject to and limited to those rights and remedies, if any, available under Tennessee Code Annotated, Sections 9-8-101 through 9-8-407.

17. **Completeness.** This Contract is complete and contains the entire understanding between the parties relating to the subject matter contained herein, including all the terms and conditions of the parties' agreement. This Contract supersedes any and all prior understandings, representations, negotiations, and agreements between the parties relating hereto, whether written or oral.

18. **Severability.** If any terms and conditions of this Contract are held to be invalid or unenforceable as a matter of law, the other terms and conditions hereof shall not be affected thereby and shall remain in full force and effect. To this end, the terms and conditions of this Contract are declared severable.

19. **Headings.** Section headings of this Contract are for reference purposes only and shall not be construed as part of this Contract.

E. SPECIAL TERMS AND CONDITIONS:

1. **Conflicting Terms and Conditions.** Should any of these special terms and conditions conflict with any other terms and conditions of this Contract, these special terms and conditions shall control.

2. **Communications and Contacts.** All instructions, notices, consents, demands, or other communications required or contemplated by this Contract shall be in writing and shall be made by facsimile transmission, by overnight courier service, or by first class mail, postage prepaid, addressed to the respective party at the appropriate facsimile number or address as set forth below or to such other party, facsimile number, or address as may be hereafter specified by written notice.

The State:

Tennessee Treasury Department
ATTN: Chief Investment Officer
11th Floor, Andrew Jackson State Office Building
500 Deaderick Street
Nashville, Tennessee 37243
Telephone: (615) 532-1157 or (615) 741-2643
Telefax Number: (615) 734-6441

The Contractor:

State Street Bank and Trust Company
ATTN: Client Service Officer
Two International Place, 34th Floor
Boston Massachusetts 02110
Telephone: (617) 664-6116
Telefax Number: (617) 664-6012

All instructions, notices, consents, demands, or other communications shall be considered effectively given as of the day of delivery; as of the date specified for overnight courier service delivery; as of three (3) business days after the date of mailing; or on the day the facsimile transmission is received mechanically by the telefax machine at the receiving location and receipt is verbally confirmed by the sender if prior to 4:30 p.m. CST. Any communication by facsimile transmission shall also be sent by United States mail on the same date of the facsimile transmission.

3. **Subject to Funds Availability.** The Contract is subject to the appropriation and availability of State and/or Federal funds. In the event that the funds are not appropriated or are otherwise unavailable, the State reserves the right to terminate the Contract upon written notice to the Contractor. Said termination shall not be deemed a breach of

Contract by the State. Upon receipt of the written notice, the Contractor shall cease all work associated with the Contract. Should such an event occur, the Contractor shall be entitled to compensation for all satisfactory and authorized services completed as of the termination date. Upon such termination, the Contractor shall have no right to recover from the State any actual, general, special, incidental, consequential, or any other damages whatsoever of any description or amount.

4. **Authorized Individuals.** Each party hereto has provided the other party hereto with a list identifying the individuals from whom the other party is authorized to accept any notices, requests, demands, or other advice which may be given hereunder by the party providing such list. Said lists, which are attached hereto as Exhibit G, shall be valid until revoked or amended by further written notice. The parties hereto shall only be entitled to rely on notices, requests, demands, or other advice given by such individuals.

5. **Hold Harmless.** The Contractor agrees to indemnify and hold harmless the State of Tennessee as well as its officers, agents, and employees from and against any and all claims, liabilities, losses, and causes of action which may arise, accrue, or result to any person, firm, corporation, or other entity which may be injured or damaged as a result of acts, omissions, or negligence on the part of the Contractor, its employees, or any person acting for or on its or their behalf relating to this Contract. The Contractor further agrees it shall be liable for the reasonable cost of attorneys for the State in the event such service is necessitated to enforce the terms of this Contract or otherwise enforce the obligations of the Contractor to the State.

In the event of any such suit or claim, the Contractor shall give the State immediate notice thereof and shall provide all assistance required by the State in the State's defense. The State shall give the Contractor written notice of any such claim or suit, and the Contractor shall have full right and obligation to conduct the Contractor's own defense thereof. Nothing contained herein shall be deemed to accord to the Contractor, through its attorney(s), the right to represent the State of Tennessee in any legal matter, such rights being governed by Tennessee Code Annotated, Section 8-6-106.

6. Representations and Covenants of the Contractor. The Contractor represents and warrants that (1) it has no interest and shall not acquire any interest, direct or indirect, which would conflict in any manner or degree with the performance of services under this Contract; (2) with respect to the Accounts, except as permitted by the Account Declaration for the S&P 500 Non-Lending Common Trust Strategy, it shall not engage in transactions with either itself, including any affiliates or parent companies, except upon the prior written approval of the State; (3) it is duly authorized to execute and deliver this Contract, and to perform its obligations hereunder and has taken all necessary action to authorize such execution, delivery and performance; (4) the person signing this Contract on its behalf is duly authorized to do so on its behalf; (5) it has obtained all authorizations of any governmental body required in connection with this Contract and the transactions hereunder and such authorizations are in full force and effect; and (6) the execution, delivery and performance of this Contract will not violate any law, ordinance, charter, by-law or rule applicable to it or any agreement by which it is bound or by which any of its assets are affected. The Contractor shall promptly notify the State in writing if any of the above representations change or cease to be true and correct in all respects.

7. Representations and Covenants of the State. The State represents and warrants that (1) it is duly authorized to execute and deliver this Contract, and to perform its obligations hereunder and has taken all necessary action to authorize such execution, delivery and performance; (2) the person signing this Contract on its behalf is duly authorized to do so on its behalf; (3) it has obtained all authorizations of any governmental body required in connection with this Contract and the transactions hereunder and such authorizations are in full force and effect; and (4) the execution, delivery and performance of this Contract will not violate any law, ordinance, charter, by-law or rule applicable to it or any agreement by which it is bound or by which any of its assets are affected. The State shall promptly notify the Contractor in writing if any of the above representations change or cease to be true and correct in all respects.

8. **On-Site Visits.** The State or its duly appointed representatives shall be entitled to visit the Contractor's operational headquarters or other offices where the Accounts are serviced and to examine all records pertaining to the Accounts, and to make reasonable requests for copies of such records.

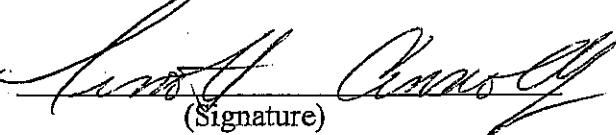
9. **Confidentiality and Publicity.** The Contractor shall treat as confidential all proprietary information and materials affecting the Accounts. The Contractor further undertakes not to release any materials to third parties without the State's prior written permission. The Contractor agrees that all reports, studies, analyses, specifications, recommendations and all other materials of whatsoever nature, prepared by the Contractor for use under this Contract (except for those documents prepared for use by more than one of the Contractor's clients) or furnished to the Contractor by the State for use under this Contract, are to be considered confidential, and that the Contractor will neither publish, circulate nor use any of the foregoing, except in the performance of its work under this Contract. The Contractor agrees that it will not issue any news releases to the public press or any publication wholly or partly related to its work under this Contract without first obtaining the prior written consent of the State. The Contractor further agrees that it will not make speeches, engage in public appearances, publish articles or otherwise publicize its work under this Contract without prior written approval of the State.

10. **Transition of Services Upon Termination.** Upon the natural expiration of this Contract or in the event of its termination for any reason, the Contractor shall transfer in accordance with the State's instructions all records and other property of the State to whomever the State may designate in writing to the Contractor. The Contractor agrees to cooperate with the State, and any subsequent contractor selected by the State to perform the services hereunder, in the transition and conversion of such services. The Contractor shall remain liable to the State under this Contract for any acts or omissions occurring on or prior to the date on which all property of the State and all services hereunder have been successfully transferred or converted in accordance with this Paragraph.

IN WITNESS WHEREOF, the parties have by their duly authorized representatives
set their signatures.

STATE STREET BANK AND TRUST COMPANY

BY:


(Signature)

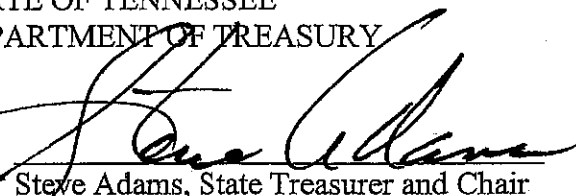
Timothy Connolly
Sr. Principal

(Typed or Printed Name and Title)

October 18, 2002
(Date)

STATE OF TENNESSEE
DEPARTMENT OF TREASURY

BY:


Steve Adams, State Treasurer and Chair
of the Board of Trustees of the Tennessee
Baccalaureate Education System Trust and
of the Board of Trustees of the Chairs of
Excellence Trust

10/28/02
(Date)

APPROVED:

STATE OF TENNESSEE

DEPARTMENT OF FINANCE AND ADMINISTRATION

BY:

C. Warren Neel
C. Warren Neel, Commissioner

11/12/02
(Date)

STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY

BY:

John G. Morgan
John G. Morgan, Comptroller

11/15/02
(Date)

**STATE STREET BANK AND TRUST COMPANY
WORLD INDEX COMMON TRUST FUNDS**

AMENDMENT AND FUND DECLARATION

S&P 500 INDEX COMMON TRUST FUND

Pursuant to Articles VII and XIII of the Fifth Amendment and Restatement of the Declaration of Trust for the State Street Bank and Trust Company World Index Common Trust Funds, dated as of May 23, 1997 (the "Declaration of Trust"), State Street Bank and Trust Company (the "Trustee"), by its execution of this Amendment and Fund Declaration, hereby amends and restates the S&P 500 Index Common Trust Fund (the "Fund"). The Trustee agrees that it will hold, administer and deal with all money and property received by it as Trustee of the Fund in accordance with the terms of the Declaration of Trust, subject to the additional terms and conditions set forth in this Amendment and Fund Declaration. The Trustee may in its sole discretion amend this Amendment and Fund Declaration upon thirty (30) days' written notice to each participating trust.

1. Name of the Fund:

S&P 500 Index Common Trust Fund

2. Effective date of the Amendment and Fund Declaration:

January 1, 2000

3. Investment Objective of the Fund:

The Investment Objective of the Fund shall be to match, as closely as possible, the return of the Standard & Poor's 500 Index (the "Index").

4. Permitted Classes of Assets and Investment Strategy of the Fund:

The Fund seeks to achieve its objective by making investments in common stocks which are contained in the Index (the "Investments"). The Fund may also hold U.S. Treasury Bills, short-term fixed income securities, equity index futures, Standard & Poor's Depository Receipts ("SPDRs") traded on the American Stock Exchange and other similar derivative instruments as deemed appropriate by the Trustee.

Investments shall be selected on the basis of tracking the Index. The investment universe shall consist substantially of the equity securities contained within the

Index at the time the investment is made, and include collective investment funds with similar investment objectives. The allocation and balance of Investments within the Fund may be re-weighted or replaced in order to maintain the industry weightings consistent with the Index. The Fund will be rebalanced periodically to reflect any changes in the Index and all dividends and realized capital gains shall be reinvested.

The Fund may invest in money market funds including, but not limited to, money market mutual funds for which State Street Bank and Trust Company acts as investment advisor ("Affiliated Mutual Funds").

5. Operation of the Fund:

The Trustee intends to operate the Fund as a "qualifying entity" pursuant to Regulation 4.5 (17 CFR §4.5) of the Commodity Futures Trading Commission ("CFTC"). Therefore, the Fund will limit its positions in commodity futures or options contracts which do not come within the meaning and intent of Regulation 1.3(z)(1) (17 CFR §1.3 (z)(1)) of the CFTC to positions for which the aggregate initial margin and premiums will not exceed five percent (5%) of the net asset value of the Fund.

Each business day shall be a Valuation Date (as defined in the Declaration of Trust).

6. Fees and Expenses:

With respect to the Fund assets invested in the Affiliated Mutual Funds, the Fund will indirectly incur management fees and other charges paid to the Trustee, which currently do not exceed forty-one (41) basis points. The Trustee will waive the allocable portion of each participant's management fee for the Fund that is attributable to such investment of cash in any Affiliated Mutual Fund.

The Fund will be charged a custody fee as set forth on the attached schedule. The Fund will also be charged an annual audit fee, and such other fees as are permitted by the Declaration of Trust.

STATE STREET BANK AND TRUST COMPANY

By: Timothy B. Harbert
Name: Timothy B. Harbert
Title: Executive Vice President

Schedule of Custody Charges

The Trustee will charge the Fund an annual custody fee equal to 1.0 basis point of the net asset value of the Fund and transaction fees equal to \$12 per Fund transaction.

THE TENNESSEE BACCALAUREATE EDUCATION SYSTEM TRUST

INVESTMENT POLICY

Authority for investing and reinvesting the assets of the Tennessee Baccalaureate Education System Trust (Trust) is vested in the Board of Trustees (Board), T.C.A., Section 49-7-805. Implementation of investment policy established by the Board is hereby delegated to the State Treasurer (Treasurer) who shall put such policy into effect, T.C.A., Section 49-7-816. Assets may be invested in any instrument, obligation, security or property that constitutes legal investments for assets of the Tennessee Consolidated Retirement System, T.C.A., Section 49-7-812. If the Board has issued other directions further limiting such investments, the assets shall be invested according to the criteria established by the Board.

As authorized in T.C.A Section 49-7-802, the Baccalaureate Education System Trust is composed of two plans: the educational services plan, or "prepaid plan", and the educational savings plan, or the "savings plan".

Educational Services Plan

ORGANIZATIONAL STRUCTURE

Legal Counsel

The State Attorney General or an assistant designated by him shall be the legal advisor to the Board in all matters. In all cases where the interests of the Trust require additional counsel to the Attorney General, the Chairman of the Board, with approval of the Attorney General, is authorized to employ such additional counsel.

Delegation of Investment Responsibility

The State Treasurer may delegate the day to day management of the Trust to the Chief Investment Officer of the Treasury Department.

Initially, the Chief Investment Officer will assume the necessary authority, as granted by the Treasurer, to effectively manage the Trust portfolio. He shall report to and consult with the Board in formal, scheduled meetings and informally as needed.

The Chief Investment Officer shall:

1. Have executive responsibility and authority, as delegated by the Treasurer, for the management of the assets of the Trust in keeping with such guidelines and policies as approved by the Board and such applicable laws of the State of Tennessee.
2. Prepare and submit reports, as required, to the Treasurer, and the Board to document investment activities.

3. Report to and consult with the Treasurer on administrative, organizational and investment activities.
4. Work with the Treasurer on development and implementation of an appropriate investment strategy and long-term economic and investment projections.

INVESTMENT OBJECTIVES

Preservation of principal value is the primary objective in managing the Trust's assets. Within acceptable risk levels, achieving a superior return (both income and appreciation) is the second objective for the Trust. A third objective is to provide the liquidity needed by the Trust to pay Trust beneficiaries in a timely manner.

Preservation of Principal Value

Recognizing that potential investment return is proportionate to the amount of risk taken, investment in high quality assets shall be favored over those more risky investments that, if successful, can pay a higher return. In addition to limiting investments to higher quality financial assets, a diversified portfolio shall be maintained to further reduce exposure to loss. Although the risk parameters imposed by state law shall be followed, the investment staff may choose to further restrict the financial criteria, depending on the overall state of the economy.

Investment Returns

The Trust's assets should be managed to attain, within acceptable risk limitations, a return on assets that will achieve a return equal to the rate of inflation (as measured by the CPI) plus an additional three to four percent. This objective is not to be a goal from year to year, but is intended as a long-term guideline to those involved in investing the Trust's assets. Return shall include both current income and capital appreciation. The investments of the Trust shall be diversified so as to minimize the risk of large losses, unless under particular circumstances it is clearly prudent not to do so.

Liquidity

The Trust should be managed in a manner so that funds will be available to provide payments to Trust beneficiaries in accordance with the terms and conditions of the Trust. The Chief Investment Officer shall obtain annual long-term cash flow projections from the Director of the Trust program. Such projections may be utilized by the Chief Investment Officer for asset allocation and investment strategy purposes in order to meet the liquidity needs of the program.

GENERAL GUIDELINES

Reporting

The Treasurer shall be responsible for maintaining the following investment records on investment:

- a. **Detailed Investment Records:** The Treasurer's office shall maintain detailed computerized records of all Trust investments and investment transactions. Quarterly reports shall be prepared reflecting the following information.
- (1) Report reflecting fiscal year-to-date summary information on each investment asset class.
 - (2) Report reflecting fiscal year-to-date detailed transaction information on each investment asset class.
 - (3) Report reflecting fiscal year-to-date detailed transaction information on each investment asset class of each separately invested fund.
 - (4) An inventory report detailing where each investment asset of the Trust is held.
- b. **Treasurer's Annual Report:** The annual financial report of the Treasurer for each fiscal year shall contain detailed schedules of all securities and interests owned by the Trust. The report shall include, but is not limited to, the book value, market value, and number of shares/per value of all securities and interests held by the Trust.

The Investment Staff shall provide a detailed written review of investment activity at Board meetings. This shall include a review of the purchases and sales over the period under review, a portfolio summary, a review of current investment policy, and other reports as requested.

General Provisions

The brokerage firms, proxy voting, commission dollar arrangements and any securities lending program shall be under the same terms and conditions as set out in the investment policy for the Tennessee Consolidated Retirement System.

INVESTMENT CRITERIA

In determining compliance with the percentage limitations of this policy, the assets of the Trust shall be valued at their market value. Accordingly, an investment may be made on any given day provided such investment does not cause any applicable limitations prescribed in this policy to be exceeded on such day.

PERFORMANCE MEASUREMENT

To provide the Investment Staff and the Board with guidance as to investment performance expectations, the following performance measurement standards are established. These standards are to act as guides in determining whether the Fund and individual asset classes are achieving their long term goals, both in relationship to the Trust's peer group of other public funds and the marketplace in general. In recognition of the Trust's long term perspective, these standards are to be measured through use of a five-year rolling average. This serves to reinforce the Trust's bias against investment decisions designed to show short term gain at the expense of long term performance.

Total Fund Performance Measurement Standards

This set of standards is designated to measure the performance of the Trust in total, including the impact that state law, investment, policy restrictions and asset allocation decisions may have on the performance of the Trust. Given the current state law, investment policy and asset allocation parameters, the following standards are considered reasonable expectations for the total Trust:

- The Trust's overall annualized total return (price change plus income) should exceed the return available from a policy of "rolling over" 90-day Treasury Bills (as a proxy for the inflation rate) by at least 3-4 percentage points per year measured over a period of 5 years.
- The Total Trust should provide a return at least equal to a benchmark calculated from index returns weighted by the target asset mix.

Asset Class Performance Measurement Standards

Initially, investments will be made in index funds; however, as the fund grows active, management strategies may be employed. Since an alternative to active management exists in the form of index funds, it is proper to measure the Trust's performance against the most appropriate index for each asset class to determine the "value added" over time by active management. As asset classes change, indices should be reviewed to ensure that proper comparisons are being made. The following indices provide for appropriate comparison to the Trust's current asset classes:

<u>Asset Class</u>	<u>Index Benchmarks</u>
US Equities	S & P 500
US Bonds	Lehman Brothers Government/ Corporate Intermediate Bond Index
US Cash Equivalents	90-Day US Treasury Bills

Returns are expected to exceed the benchmarks over rolling five-year periods.

Fund Benchmark

The Board has adopted the following asset ranges:

<u>Asset Class</u>	<u>Range</u>
US Equities	20-50%
US Bonds	50-75%
US Cash Equivalents	2-15%

APPROVED INVESTMENTS

Common, Preferred Stock and Convertible Bonds

Growth is important to the Trust to attain a return that will allow for meeting liabilities. Equity investments will be used to seek this growth through potential dividend increases and capital appreciation. Convertible bonds also will be counted as an equity investment.

Index funds may be invested in as an alternative to selecting individual securities. An index fund may be a pooled or co-mingled fund. Any securities listed in the S&P 500 Index is an authorized security under this investment policy. It is recognized by this policy that a pooled or co-mingled fund may use strategies utilizing futures and/or options as a tool to deploy investment of cash and to meet liquidity needs of the fund.

Notes, Bonds, and Mortgages

Public issues of notes and bonds shall make up the majority of fixed income investments. Bonds generally will be purchased and held to maturity, but it will be necessary to actively manage this sector of the portfolio in times of volatile interest rate swings to either shorten the average maturity to protect principal value or lengthen maturities to lock up a long-term stream of income. The Trust may acquire securities which are rated within the four highest grades (investment grade) by any of the recognized rating agencies at the time of acquisition.

Short-term Investments

All monies waiting to be placed in a more permanent investment should be actively managed to obtain the best return available. Yield should be sacrificed for safety in short-term investments, and, thus, only the highest quality short-term debt issues should be purchased. These investments can include both publicly and privately negotiated short-term borrowing agreements. Commercial paper should be rates A 1 or P 1.

Educational Savings Plan

ORGANIZATIONAL STRUCTURE

Legal Counsel

The State Attorney General or an assistant designated by him shall be the legal advisor to the Board in all matters. In all cases where the interests of the Trust require additional counsel to the Attorney General, the Chairman of the Board, with approval of the Attorney General, is authorized to employ such additional counsel.

Delegation of Investment Responsibility

The State Treasurer may contract the day to day management of the Trust to a vendor selected by the Board through the normal state Request for Proposal (RFP) process. The vendor shall report to and consult with the Board as needed.

The vendor shall:

1. Have executive responsibility and authority, as delegated and contracted by the Treasurer, for the management of the assets of the Trust in keeping with such guidelines and policies as approved by the Board and such applicable laws of the State of Tennessee.
2. Prepare and submit reports, as required, to the Treasurer, and the Board to document investment activities.
3. Report to and consult with the Treasurer on administrative, organizational and investment activities.
4. Work with the Treasurer on development and implementation of an appropriate investment strategy and long-term economic and investment projections.

INVESTMENT OBJECTIVES

The plan should strive to provide the highest investment return possible while recognizing the risk tolerance characteristics and cash needs of the plan participants and keeping administrative costs to a minimum. In accomplishing this goal, due consideration is to be given to the fact that the investment horizon for participants will vary from a few months to more than twenty years.

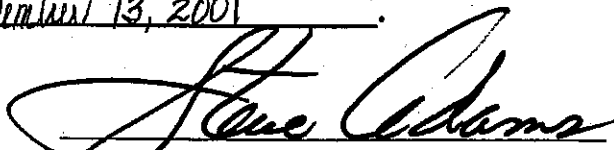
APPROVED INVESTMENTS

The assets of the Baccalaureate Education System Trust may be invested in any instrument, obligation, security, or property that constitutes legal investments for assets of the Tennessee Consolidated Retirement System.

ASSET ALLOCATION GUIDELINES

The allocation of Trust assets among the authorized investment categories should reflect the time horizons of the Trust's beneficiary population. Based on this principle, the initial guideline for the allocation of Trust assets are shown in Table 1 on the following page. The Baccalaureate Education System Trust Board of Trustees will annually review the allocations and approve changes as needed.

**THE BOARD OF TRUSTEES OF THE TENNESSEE BACCALAUREATE
EDUCATION SYSTEM TRUST ADOPTED THIS POLICY AT ITS BOARD
MEETING ON December 13, 2001.**



STEVE ADAMS, CHAIRMAN

BOARD OF TRUSTEES

TENNESSEE BACCALAUREATE EDUCATION SYSTEM TRUST

Table 1

AGE BANDS AND ALLOCATION GUIDELINES FOR THE AGE-BASED
ASSET ALLOCATION OPTION¹Asset Allocation Percentages²

Age Bands	Year of Birth of Beneficiary ³	Investment Horizon	Institutional Growth Equity Fund (Base Percentage of Age Band Assets)	Institutional Growth and Income Fund (Base Percentage of Age Band Assets)	Institutional Equity Index Fund (Base Percentage of Age Band Assets)	Institutional International Equity Fund (Base Percentage of Age Band Assets)	Institutional Bond Fund (Base Percentage of Age Band Assets)	Institutional Money Market Fund (Base Percentage of Age Band Assets)
1	2002 or 2003	20 – 21 years	12.0%	21.0%	27.0%	15.0%	25.0%	0.0%
2	2000 or 2001	18 – 19 years	11.2%	19.6%	25.2%	14.0%	30.0%	0.0%
3	1998 or 1999	16 – 17 years	9.6%	16.8%	21.6%	12.0%	40.0%	0.0%
4	1996 or 1997	14 – 15 years	8.0%	14.0%	18.0%	10.0%	50.0%	0.0%
5	1994 or 1995	12 – 13 years	7.2%	12.6%	16.2%	9.0%	55.0%	0.0%
6	1992 or 1993	10 – 11 years	6.4%	11.2%	14.4%	8.0%	60.0%	0.0%
7	1990 or 1991	8 – 9 years	4.8%	8.4%	10.8%	6.0%	70.0%	0.0%
8	1988 or 1989	6 – 7 years	4.0%	7.0%	9.0%	5.0%	65.0%	10.00%
9	1986 or 1987	4 – 5 years	3.2%	5.6%	7.2%	4.0%	45.0%	35.0%
10	1984 or 1985	2 – 3 years	1.6%	2.8%	3.6%	2.0%	40.0%	50.0%
11	Prior to 1984		1.6%	2.8%	3.6%	2.0%	40.0%	50.0%

ALLOCATION GUIDELINES FOR THE 100% EQUITY OPTION

Institutional Growth and Income Fund (Base Percentage of Assets) ⁴	Institutional International Equity Fund (Base Percentage of Assets) ⁴
80%	20%

Approved


 Steve Adams, State Treasurer &
 Chairman of the Board of Trustees

 4/11/02
 Date

¹ The State will annually review the Allocation Guidelines and make changes as needed.

² Under the Allocation Guidelines, the percentage of assets of an Age Band allocated to the Mutual Funds are to be in a range from 3% below to 3% above the base percentage of each Age Band; provided, however, that if there occurs a significant movement in the market (either up or down) that results in the percentage of assets of a Mutual Fund allocated to an Age Band being outside of the applicable Allocation Guideline range, the Contractor will have a commercially reasonable period of time to bring the percentage of assets of such Mutual Fund allocated to such Age Band back within the applicable range, including without limitation, by divestitures or acquisitions of securities, taking into consideration relevant market factors and the benefits to Account Owners of minimizing transaction costs.

³ Every two years a new band will be added to capture current dates of birth with all bands moving down one level.

⁴ The actual percentages are to be in a range within 3% of the base percentages indicated.

INVESTMENT DIVISION CODE OF ETHICS AND STANDARDS OF PROFESSIONAL CONDUCT

INTRODUCTION

The mission of the Treasury Department, as developed by department employees in 1991, is to provide superior service to constituents in a cost effective manner through qualified personnel while maintaining the highest ethical standards. Recognizing that investment division employees are fiduciaries for system members and state taxpayers, the Treasury Department adopts the Investment Division Code of Ethics and Standards of Professional Conduct for the benefit of system members and state taxpayers. This document is produced to emphasize the high ethical standards expected of Treasury Department employees as described in our mission statement. Every Investment Division employee is obligated to conduct themselves with utmost integrity, professionalism and ethical behavior.

In any cases of doubt as to whether an action may be in violation of Investment Division policy of ethics and standards of professional conduct, an investment division employee should seek the advice of the State Treasurer, the Chief Investment Officer, the Director of Retirement, or the Executive Assistant to the State Treasurer for guidance. Such guidance should be sought prior to the action in question.

If any situation or action occurs which an employee is in doubt as to whether the situation or action should be disclosed, then the Investment Division employee should seek advice of the State Treasurer, the Chief Investment Officer, the Director of Retirement, or the Executive Assistant to the State Treasurer as to whether disclosure is required.

GIFTS

No investment division employee shall accept any lodging, airfare, membership, service, loan, promise of future benefits, or payment of any kind from any firm the Treasury Department does business with or may potentially do business with. An Investment Division employee may not accept any gift or entertainment from firms which do business or may potentially do business on behalf of the Treasury Department which might adversely affect or influence his or her judgment in the performance of official duties. Gifts are prohibited except for diminutive gifts such as coffee mugs, envelope openers, calendars, etc. which are defined as items estimated to cost less than \$20 with minimum resale value. Perishable food items may be accepted if made available in the office to all employees in the department and consumed in the office. Diminutive gifts and perishable food items should not be received on so frequent a basis as to lead a reasonable person to believe that an investment employee is using his office for personal gain. Under no circumstance shall an employee seek, request or ask for any gift, entertainment, lodging, airfare, membership, service, loan, promise of future benefit or payment of any kind from any firm the Treasury Department does business with or may potentially do business with.

Meals and Modest Entertainment

The Treasury Department recognizes that networking and information gathering in the investment industry may occur at meal meetings and entertainment settings. Business meetings in the investment industry are routinely conducted on a meal time schedule, mostly for the convenience of a broker/analyst/vendor, allowing them to gather several clients together for one meeting in each city, rather than conducting numerous small meetings. Also, travel itineraries tend to produce meetings at the mealtime hours. Reasonable breakfast, lunch and dinner meetings and modest entertainment are permitted, provided such meetings are working meetings where information, research, projections, analysis or opinions are provided on economic, business, governmental and investment data which directly relates to the investment industry.

All breakfast, lunch, and dinner meetings and modest entertainment must be disclosed on the Treasury Department DAYPLAN program prior to such meetings, if possible. Any items not disclosed prior to such meetings should be recorded immediately upon returning to the office. Moreover, all conferences, conventions, and travel must be disclosed on the DAYPLAN program.

Extravagant entertainment events such as post season playoffs, major sporting events, Olympic events, or events of a significant nature are prohibited.

Meals and modest entertainment should not be accepted on so frequent a basis as to lead a reasonable person to believe that an employee is using his office for personal gain. Under no circumstance shall an employee seek, request, or ask for any meal or modest entertainment permitted under this section from any firm which does business or may potentially do business with the Treasury Department.

PERSONAL TRADING

Investment Division employees are obligated to conduct their personal securities transactions in a manner that does not conflict with the Investment Division's business and fiduciary responsibilities. The primary responsibility of Investment Division employees is to place the interests of the Investment Division above their own and to conduct their personal securities transactions in a manner which does not interfere with the Investment Division's portfolio transactions or create an actual or potential conflict of interest with the retirement system.

The purchase of an initial public offering of equity securities for which no public market in the same or similar securities of that issuer has previously existed is prohibited. An exception is permitted where an employee has an existing right to purchase a security based on his or her status, for a significant period of time, as a depositor or policy holder. Whenever such a transaction is executed, it should be disclosed on the monthly personal trading report.

All personal trades must be cleared in advance by the appropriate portfolio managers. On the day an Investment Division employee wishes to trade a security, he or she must first contact the appropriate portfolio managers for clearance. The portfolio manager shall not provide clearance for such trades if the security is being acquired or sold by the Investment Division. The Investment Division must have completed its acquisition or disposition of a security before any personal trades can be made. In all cases, the Investment Division's execution of trades must take priority over personal trades.

Disclosure of Personal Trades and Holdings

Each month, Investment Division employees shall disclose in writing on the prescribed form the previous month's personal securities trades. Such disclosure shall be made directly to the director of TCRS or if the director is unavailable, to the executive assistant to the Treasurer. It is the intent that these monthly reports remain confidential. However, since this is a public document subject to the Open Records Act, the Treasury Department will honor any request by Tennessee citizens to review such documents. Investment staff will be advised of any request for the documents prior to releasing the document. Prior to hiring an Investment Division employee, such employee should disclose all brokers/brokerage relationships. The annual statement of investment disclosure should include a list of all broker/brokerage relationships and security holdings during the year being reported. Disclosure is not required for mutual funds accounts, the state's 401(k) plan, the state's 457 plan, real estate holdings, partnership interest or any type securities in which the state is prohibited from owning.

Disclosure Requirement of Securities Held by Family Members

An Investment Division employee is required to disclose trades and holdings of family members where a pecuniary interest exists or where the Investment Division employee has control over the trading activities in a security account. Pecuniary interest means the opportunity, directly or indirectly, to profit or share in any profit derived from a transaction in a security.

Family members regarded as having pecuniary interest in, and therefore as the beneficial owner of, securities held are any child, step-child, grandchild, parent, step-parent, grandparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law sharing the same household. Adoptive relationships are included for purposes of determining whether securities are held by a member of a person's immediate family.

PROFESSIONAL ETHICS AND CONDUCT

Chartered Financial Analysts (CFAs) shall adhere to the Code of Ethics and the Standards of Professional Conduct as published by the Association of Investment Management and Research (AIMR). Investment employees not participating in the AIMR program shall take the self-administered ethics exam annually or when renewed, whichever occurs first.

Every Investment Division employee shall be provided with a copy of the following:

- (1) Investment Division Code of Ethics and Standards of Professional Conduct,
- (2) Tennessee Treasury Department Standards of Professional Conduct, and
- (3) Investment Policy as adopted by the Board of Trustees.

Communication of Policy


Prior to the annual statement of investment disclosure filing each year, the Treasurer, Chief Investment Officer, or the Director of Retirement shall meet with Investment Division employees to review and discuss the above referenced documents.

Sanctions

Investment division employees serve at the direction and pleasure of the State Treasurer. Any employee who violates this policy shall be subject to disciplinary action by the State Treasurer which may range from verbal reprimand to dismissal.

Effective Date

This policy shall become effective January 1, 1995 and shall remain in effect until amended.


Steve Adams, State Treasurer

1/20/95
Date

MONTHLY STATEMENT OF DISCLOSURE OF PERSONAL SECURITY TRADES

Employee _____
Social Security Number _____
Date of Trade Activity _____
(month/year)

<u>Date of Trade (1)</u>	<u>Security</u>	<u>Type of Security (2)</u>	<u>Buy/Sell</u>	<u>Broker (firm & individual) (3)</u>	<u>Price</u>	<u>Account (4)</u>
--------------------------	-----------------	-----------------------------	-----------------	---	--------------	--------------------

- (1) Use trade date rather than settle date.
- (2) Indicate whether stock, convertible, bond, etc.
- (3) Indicate name of firm and the individual serving as broker.
- (4) Disclose the name of the owner of the security.

This report is subject to confirmation with the broker for both accuracy and full disclosure.

I hereby state that this is a full and accurate disclosure of the securities pursuant to the Investment Division Code of Ethics and Standards of Professional Conduct. I further authorize my brokers to release information required to confirm that I have fully and accurately reported my trading activity to the State Treasury Department.

Signature

Date _____

ANNUAL STATEMENT OF BROKERAGE RELATIONSHIPS AND PERSONAL SECURITY HOLDINGS

This statement should be attached to the annual conflict of interest disclosure form.

I. Brokerage relationships

Name of Brokerage Firm

Broker Name

II. Report of security holdings at _____ in accordance with the investment division Code of Ethics and Standards of Professional Conduct.

Security

Brokerage Firm

Account (1)

(1) Disclose the name of the owner of the security.

This report is subject to verification with the broker for both accuracy and full disclosure.

I hereby state that this is a full and accurate disclosure of the securities in my control pursuant to the Investment Division Code of Ethics and Standards of Professional Conduct. I further authorize my brokers to release information required to confirm that I have fully and accurately reported my trading activity to the State Treasury Department.

Signature

Date

TENNESSEE
TREASURY DEPARTMENT
NASHVILLESTEVE ADAMS
TREASURER

September 7, 1994

MEMORANDUM

TO: Division Directors

FROM: Steve Adams *SA*

SUBJECT: Tennessee Treasury Department
Standards of Professional Conduct

As many of you are aware, several state agencies and Treasury Departments in other states have issued written guidance for their employees in the area of professional conduct and avoidance of conflicts of interest. The purpose of such guidelines is to help employees better understand what types of conduct are of concern to management. While we have not experienced problems of this nature, I believe it is appropriate for us to provide employees with some guidance in this area to avoid confusion and problems in the future.

Therefore, effective immediately, the Department of Treasury is adopting the attached Standards of Professional Conduct policy. This policy provides guidance for each of us to follow while conducting the State's business. I am requesting you to communicate this policy to your employees.

I appreciate your cooperation in this effort.

SA:msh
M094AT103
PERSONNEL

attachment

Tennessee Treasury Department Standards of Professional Conduct

The mission of the Treasury Department, as developed by department employees in 1991, is to provide superior service to constituents in a cost effective manner through qualified personnel *while maintaining the highest ethical standards*. It is the obligation of every employee of the department to conduct themselves with utmost integrity, professionalism and ethical behavior in relations with all clients of the department, be they members of the public, fellow employees, or vendors providing services for the department. Each employee, in performing their duties and responsibilities, should apply the following standards of conduct:

A Treasury Department Employee should:

- conduct all state business responsibilities in a fair manner and be honest in all business negotiations;
- strive to provide the highest quality of performance and counsel;
- attempt to avoid any activity which may be interpreted as a conflict of interest by others and, if the activity is not reasonably avoidable, disclose the activity to your supervisor;
- be responsible for maintaining their competence to fulfill the responsibilities of their position;
- maintain confidentiality of information so designated which is received or maintained by the department;
- comply with standards of conduct for professions, as applicable (ie. CPA, CFA, Attorneys);
- exercise prudence and integrity in the management of resources in their custody;
- consult with your supervisor or director if you have questions about these standards of conduct; and
- communicate to appropriate members of management, any actions that may be violations of the law, this standards of conduct, or actions which may be conflicts of interest.

No Treasury Department Employee should:

- utilize any property or resources of the department for personal gain;
- falsify or fail to record proper entries on any books or records of the department;
- knowingly be a party to, or condone, any illegal activity;
- make potential business referrals of department customers (such as retirees, claimants, etc...) to relatives or close business associates;
- authorize payment on behalf of the department of any amount, or for any purpose, other than that specifically disclosed in the original request for payment and owed by the department;
- directly or indirectly seek or accept gifts, money, travel, lodging, association memberships or property that would influence or appear to influence the conduct of your duties;
- engage in or conduct outside activities of financial or personal interest that may conflict with the impartial and objective execution of departmental business activities;
- sell or provide goods or services to the department without disclosure to management;
- utilize the services of relatives or close personal associates for departmental business without disclosing such relationships to management prior to such services being rendered;
- engage in activities involving dishonesty, fraud, deceit or misrepresentation;
- engage in outside employment with any providers of supplies or services to the department; or
- engage in outside employment that would interfere with or hamper expected performance with the department.

Members of management of the department are responsible for:

- communicating these standards of conduct to their co-workers; and
- monitoring and encouraging compliance with these standards.

RESTATED
POLICIES OF THE TRUSTEES
OF THE CHAIRS OF EXCELLENCE TRUST

INVESTMENT POLICY

ORGANIZATIONAL STRUCTURE

Final authority for investing and reinvesting the assets of the Chairs of Excellence Trust is vested in the Board of Trustees of the Trust (Trustees). Implementation of the investment policy established by the Trustees is hereby delegated to the State Treasurer (Treasurer) who shall put such policy into effect. Assets shall be invested subject to all the terms, conditions, limitations, and restrictions imposed upon the Tennessee Consolidated Retirement System in the making and disposing of its investments. If the Trustees have issued other directions further limiting such investments, the assets shall be invested according to the criteria established by the Trustees.

INVESTMENT POLICY AND OBJECTIVES

Preservation of principal value is the primary objective in managing the Trust's assets. Within acceptable risk levels, achieving a superior return (both income and appreciation) is the second objective for the Trust. A third objective is to provide the liquidity needed to perform the purposes for which the Trust was created.

INVESTMENT CLASSES

Notes, Bonds, and Mortgages

Since the purpose of the Trust is to generate current income, it is clearly neither a risk taking account nor a capital gains oriented account. Thus, the majority of investments should be placed in high quality debt securities to produce adequate income with minimal risk. The maturity of the debt securities may range from short-term instruments, including investments in the State Pooled Investment Fund, to long-term bonds so long as liquidity needs are considered. Debt securities should not be sold below amortized cost except in cases where either credit quality deterioration warrants selling at a loss or where offsetting gains on other securities are realized.

Common, Preferred Stock and Convertible Bonds

In recognition of the need to use equity investments to preserve purchasing power, funds may be invested in average to high yielding common or preferred stocks. These securities will be purchased as part of that portion of the Trust used to invest for total return. Convertible bonds will be considered an equity investment.

Index funds may be invested in as an alternative to selecting individual securities for the equity portfolio. An index fund may be a pooled or co-mingled fund. Any security listed in the index is an authorized security under this investment policy. It is recognized by the policy that a pooled or co-mingled fund may use strategies utilizing futures and/or options as a tool to deploy investment of cash and to meet liquidity needs of the fund.

Stock Options and Bond Futures

The Trust may write call options on stock positions owned by the Trust. Options may not be purchased but positions can be closed out. The Trust may also write call options on U.S. Treasury bond futures.

Domestic Stock Index Futures

The Trust may purchase or sell domestic stock index futures contracts for the purpose of making asset allocation changes in a more efficient and cost effective manner, and to improve liquidity.

Short-Term Investments

All monies waiting to be placed in a more permanent investment should be actively managed to obtain the best return available. Yield should be sacrificed for safety in short-term investments, and thus only the highest quality short-term debt issues should be purchased. These investments can include both publicly and privately negotiated short-term borrowing agreements.

Securities Lending

The Trust shall have the power and authority to enter into securities lending agreements whereby securities are loaned for a fee; provided that such loans are secured by collateral.

Securities received as collateral shall have a market value of at least 102 percent of the market value of the security loaned. Cash received as collateral shall have a value of at least 100 percent of the market value of the security loaned. Collateral should be closely monitored. Securities collateral should be marked to market each business day so that the aggregate market value of the collateral allocated to all then outstanding loans to a single security firm or bank equals 102 percent of the market value of such loans and the interest accrued thereon. If at any time the aggregate market value of the securities collateral allocated to all then outstanding loans to a single security firm or bank is less than 100 percent of the market value of such loans, more collateral should be requested. Cash received as collateral may be invested by or on behalf of the Trust in any investment instrument in which the Trust's assets may be directly invested. Such cash may also be invested in short-term investment funds provided the portfolio of such funds contains only those investment instruments in which the Trust's assets may be directly invested.

Reverse Repurchase Agreements

Jul 20 2001 9:28 P.04

The Trust may loan securities under reverse repurchase agreements. This is an extension of the lending program whereby securities are sold for cash with the agreement to buy that same security back at the same price on a specified date. The Trust retains all the incidents of ownership for the security and receives a fee during the period it is on loan. Cash is received as collateral. Reverse repurchases should only be done with a select few of the highest quality securities firms and banks.

International Investments

Within the restrictions set forth herein, the Trust's assets may be invested in the international markets in which the assets of the Tennessee Consolidated Retirement System may be invested. Such securities must be actively traded in a public market and be of the same kinds, classes and investment grades otherwise eligible for investment.

Foreign Currency Hedging

The Trust may engage in forward contracts to hedge the foreign currency exposure of the fund under the same guidelines applicable to the Tennessee Consolidated Retirement System.

Canadian Investments

The Trust may purchase Canadian securities which are actively traded in a public market provided they are substantially of the same kinds, classes and investment grades as those otherwise eligible for investment. Such investments shall not be considered international investments for purposes of this policy.

ADDITIONAL POLICIES

Deposits, Withdrawals, and Transfers

All deposits will be based on the current market value of the total Trust at the time of the transactions. All deposits shall be made on either the first or fifteenth of each month, or the first working day thereafter should the first or fifteenth not be a working day. All withdrawals will be based on the market value of the total Trust as of the previous month end. All withdrawals shall be made on the fifteenth of each month or the first working day thereafter should the fifteenth not be a working day. Transfers from the general fund to chair accounts of each system shall be treated in the same manner.

Separate Accounting for Private Contributions

The Trustees recognize that under Article II, Section 31 of the Tennessee Constitution, equity investments are restricted to those funds contributed to the Trust from private sources plus

any reinvested income from such investments. In order to ensure compliance with this requirement, that portion of the privately contributed funds which are to be invested in equity investments shall be accounted for separately.

To ensure that no public funds are invested in equity securities, the following asset allocation policy is adopted. Public funds, capital gains on public funds, and all current income exceeding withdrawals shall be invested in fixed income securities. Private contributions may be invested in equity securities. Each governing system will designate, for new chairs, the percentage of private contributions to be deposited to the equity corpus; provided that a minimum of 25% of the total value of the newly created chair will be deposited to the equity corpus. The allocation will be conveyed in the letter notifying the Trust's staff of the creation of the chair. The Trustees will either approve the allocation or recommend an alternative considering the long term financial viability of the chair. New contributions to a chair corpus in excess of the original funding commitment will be allocated in a manner consistent with the provisions of this paragraph.

The chair will be allowed unlimited growth through appreciation of market value and realized gain/losses. Chair asset allocation after initial funding will be based upon long term investment objectives with consideration given for providing sufficient flow of income to the chair. Funds may be transferred from the equity corpus to the fixed income corpus at the request of the University of Tennessee or Board of Regents, with approval by the Trustees. However, in order to ensure no public funds are invested in equity securities, funds may not be transferred from the fixed income corpus to the equity corpus.

For purposes of transitioning to this policy each system shall have the opportunity to recommend adjustments in the asset allocation for each existing chair, provided that such adjustments may not exceed the difference between total private contributions to the chair and the amount originally allocated to the equity corpus under the Policies of the Trustees as they existed on April 8, 1996. Further, existing chairs with equity investments of less than 25% of total chair investments will not be required to transfer funds from the fixed income corpus to the equity corpus to comply with this revised policy.

For investment purposes, the new asset allocation will be phased in over a series of months, up to one year. The Treasury Department investment staff will be responsible for the appropriate timing.

Purposes for Special Reserve Accounts

The special reserve account for each chair shall be maintained for the following purposes:

- A. Provide income to pay for extraordinary nonrecurring expenses of the chair as approved by the Trustees; or

- B. Upon the determination of the Trustees to supplement the corpus of the chair, any amount in excess of that which the Trustees determine to be necessary to satisfy requirement A may be added to the corpus of the chair; or
- C. Other uses as outlined under the caption Spending Plans.

Composition of Income

Current income is defined as dividend and interest income. All current income exceeding spending rule withdrawal requirements will be credited to an "income fluctuation reserve" and invested in fixed income securities. The "income fluctuation reserve" is discussed below under the caption Spending Plans. Realized gains and losses shall be applied to corpus.

Corpus

It is recognized that the requirement that corpus shall not be expended for any purpose is a legal prohibition against use of the corpus for program purposes and shall not be construed to be applicable to investment decisions to sell securities at a loss when a "prudent man" determination to sell is indicated by market factors, credit considerations or other appropriate factors.

Spending Plans

Annually, each chair is permitted to withdraw an amount equal to 4.75% of a market value average of the three prior calendar year ends. The market value of the chair includes both bond and stock portfolios, whereas only the fixed income securities previously determined the available funds for the spending plan. In the case of chairs fully funded for less than three years, the market value average will be based on the market values at calendar year ends in which the chair was fully funded. For chairs desiring to withdraw funds within the same fiscal year as the chair is fully funded, withdrawals will equal 4.75% of the market value of the chair on the date fully funded, pro rated for the months remaining in the applicable fiscal year.

For each chair, an "Income Fluctuation Reserve" (IFR) is created. All current income in excess of the spending rule amount will be credited to this reserve. In the event that current income is insufficient to meet the spending rule withdrawal amount, any shortage will be satisfied in the following priority: (1) Income Fluctuation Reserve, then (2) expendable reserve. In no case may withdrawals to meet the spending rule amount exceed the total of current income, income fluctuation reserve amounts, and expendable reserve amounts.

Recognizing that the change in spending plan methodology will initially reduce the income available for expenditure in some chairs, there will be a transition period in which expendable reserve funds may be used to supplement the spending plans. Each year, Treasury Department staff will estimate fixed income rate of return. A fixed income estimate will be calculated based on the estimated fixed income rate of return multiplied by the fixed income asset balance at December 31, 1995. The December 31, 1995 balance must be used because of proposed changes in asset allocation. If the estimated fixed income is more than the proposed spending rule,

additional funds may be withdrawn from the expendable reserves. If the estimated fixed income is less than the proposed spending rule, no adjustment will be made. Withdrawals from the expendable reserve for purposes of transition are limited to the balance in the reserve at December 31, 1995.

The transition period will be limited to the lesser of 10 years or exhaustion of the expendable reserve balance at December 31, 1995.

In recognition that unusual circumstances arise subsequent to the approval of spending plans by the Trustees, such as the filling or creation of a chair, unexpected requirements for equipment purchases and other unforeseen recurring expenses, it shall be the policy of the Trustees to exercise the following authority regarding revisions to spending plans or consideration of spending plans for newly created chairs:

- A. Requests for revisions of spending plans shall be submitted in writing to the Chairman of the Board of Trustees (Chairman). Any such request should detail the purpose of the revision to the spending plan and outline the circumstances, which require such revision.
- B. The Chairman shall notify each Trustee of the requested revision by providing each Trustee with a copy of the request by the institution. In addition, the Chairman shall review such request and comment to the Trustees regarding whether funds are available within the chair to fund the revisions and whether providing such funds will require liquidation of current investments.
- C. If no objection to approval of the proposed revision is received by the Chairman within fifteen (15) days of notification to the Trustees of the proposed revision, the revision shall be considered approved by the Trustees, and the Chairman shall be authorized to take action as is necessary to implement the approved revision. If objection is voiced by a Trustee, the Chairman shall schedule a meeting of the Trustees to consider the spending plan revision.

Non-Recurring Expenses

Current income available for withdrawal in accordance with the spending rule policy which is not withdrawn will be credited to each Chair's expendable reserve account. At the request of the governing board, the Trustees will approve a request for withdrawal of expendable reserve funds unless such withdrawal would cause an extraordinary liquidation of investments. It is the Trustees' intent to continue to utilize expendable reserves for one-time expenses, however, the final decision will rest with each governing board.

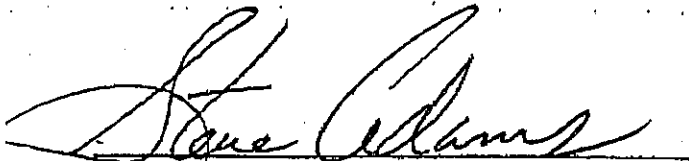
Certification of Expenditures

The University of Tennessee and the State Board of Regents shall annually certify to the Trustees that all funds expended were expended for the chair for which the income was intended. In addition, each system will report the amount and percentage of each chair's budget which is

funded from the Trust, federal, institutional, and other funds. Said certification shall be made each year by the earlier of August 30 or the date prescribed by the Tennessee Department of Finance and Administration as the journal voucher deadline.

THE TRUSTEES OF THE CHAIRS OF EXCELLENCE TRUST ADOPTED THIS REVISED POLICY AT ITS BOARD MEETING ON JUNE 21, 2001.

ACCEPTED:

A handwritten signature in black ink, appearing to read "Steve Adams", is written over a horizontal line.

Steve Adams, State Treasurer and
Chairman of the Chairs of Excellence Trust

EXHIBIT F

STATE STREET
For Everything You Invest In™

P.O. Box 351
Boston, MA 02101

MEMORANDUM OF INSURANCE**INSURED: STATE STREET CORPORATION AND ITS SUBSIDIARIES**

COVERAGE	TOTAL LIMITS (U.S. \$)	LEAD INSURER	BROKER	POLICY NO.	TERM
FINANCIAL INSTITUTION BOND Bankers Blanket Bond Provides coverage for dishonest and fraudulent acts by employees. Computer Crime Coverage Provides coverage against direct financial loss as a result of a third party perpetrator.	\$75,000,000	Lloyds of London	Marsh USA, Inc.	B0509QA546802	07/01/02-07/01/03
BANKERS PROFESSIONAL LIABILITY Covers losses caused by wrongful acts, errors or omissions while in the rendering of a professional service to a customer.	\$75,000,000	AIG	Marsh USA, Inc.	279-72-84	07/01/02-07/01/03
EXCESS FINANCIAL INSTITUTION BOND & BANKERS PROFESSIONAL LIABILITY Follows form of underlying coverages.	\$75,000,000 excess of \$75,000,000	Lloyd of London	Marsh USA, Inc.	B0509QA546902	07/01/02-07/01/03
EXCESS FINANCIAL INSTITUTION BOND & BANKERS PROFESSIONAL LIABILITY Follows form of underlying coverages.	\$50,000,000 excess of \$150,000,000	Zurich	Marsh USA, Inc.	EOC491174400	07/01/02-07/01/03
EXCESS SECURITIES Provides coverage for all risk of physical loss of or damage to securities.	\$300,000,000 excess of \$200,000,000	Lloyds of London	Marsh USA, Inc.	QR055002(3)	07/01/02-07/01/03

This memorandum furnishes a brief outline of the insurance coverages currently in force. The outline is for general information only and does not alter or replace the actual terms and conditions of the applicable policies. Insurance certificates issued by the insurance brokers will be furnished upon request.

STATE STREET BANK AND TRUST COMPANY

Annette T. Hopkins
Vice President

Memo070102(4)

EXHIBIT G

Pursuant to Section E.4 of the Contract between the State of Tennessee, Department of Treasury, (the "State"), and State Street Bank and Trust Company (the "Contractor"), each party has outlined below the individuals from whom the other party is authorized to accept any notices, requests, demands, or other advice which may be given under the Contract. This Exhibit shall be valid until revoked or amended by further written notice. The parties shall only be entitled to rely on notices, requests, demands, or other advice given by such individuals.

AUTHORIZED INDIVIDUALS OF STATE

<u>Authorized Individual</u>	<u>Position</u>
Tom Milne	Chief Investment Officer
Roy Wellington	Portfolio Manager
Michael Keeler	Director of Equity Portfolio
Sharon Harris	Operations Supervisor
Jenny King	Equity Trader
Shirley Chatman	Investment Technician
Steve Curry	Assistant to the Treasurer
Diane Willocks	Equity Trader

The individuals listed above, auditors employed by the State of Tennessee, and the following individuals are authorized to make inquiries concerning the State's Account. Inquiries include requests for Account balances, inquiries concerning Account transactions, and requests for information concerning statements and confirmations. Such requests may be written or verbal.

<u>Authorized Individual</u>	<u>Position</u>
Rick DuBray	Director of Accounting
Kim Morrow	Accounting Manager
Karen Baumgartel	Account Technician II

Effective Date

Steve Adams, State Treasurer

AUTHORIZED INDIVIDUALS OF CONTRACTOR

<u>Authorized Individual</u>	<u>Position</u>
Peter G. Leahy	Principal and Unit Head
Michael Feehily	Principal and Portfolio Manager
Christopher Thome	Principal, Legal Department
Brendan P. McDonough	Principal, Client Service

Effective Date

(Signature of Authorized Officer)

(Typed or Printed Name and Title)

Leni Chick

From: Mary Roberts-Krause [Mary.Roberts-Krause@state.tn.us]
Sent: Friday, August 05, 2005 1:59 PM
To: Leni Chick
Cc: Robert Barlow
Subject: Noncompetitive Amendment Request - Documentation
Attachments: S&P- COE.doc; amS&P.doc; request-non-comp-amend - BESTInvest.doc; non-comp-S&P.doc

Please find attached a noncompetitive amendment request form, a memorandum in support thereof, the original contract and the proposed amendment draft. I have also sent the same to you via messenger mail since many of the exhibits referenced in the contract and the proposed amendment are not on my computer. Thanks!

8/11/2005